

Hot planes for executives

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BUSINESS WEEK

A McGRAW-HILL PUBLICATION

FIFTY CENTS

AUG. 9, 1958



Gen. Edmond Leavey of
IT&T banks on equipment
sales—not telephone
subsidiaries—to make
profits overseas (Foreign)

AMAR ARBOR MICH
313 N 1ST ST
UNIVERSITY MICROFILMS
E B POWER
GS BU
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2



Loggers "weight-lifter" tests bearing stamina!

Tossing around logs 6 feet in diameter like toothpicks is no job for a softie! This machine has to be *built* for it right from the start—*right down to the bearings*. And that goes, too, for the trucks which haul these back-breaking giants over the most rugged terrain. ★ Bower tapered and straight roller bearings have been *engineered* for just such work as this—to last longer, perform better under any road or load condition. Painstaking quality control plus basic bearing design refinements—like those shown at right—have reduced Bower bearing failure to a practical minimum. ★ *Whatever* your product, if it uses bearings, specify Bower! There's a complete line of tapered, straight and journal roller bearings for every field of transportation and industry.

BOWER ROLLER BEARING DIVISION

FEDERAL-MOGUL-BOWER BEARINGS, INC. • DETROIT 14, MICHIGAN



ADVANCED SPHER-O-HONED DESIGN
REDUCES WEAR

Spherically generated roll heads • Higher flange with larger two-zone contact • Larger oil groove • Honed races



BOWER

ROLLER BEARINGS

IN BUSINESS THIS WEEK August 9, 1958

GENERAL BUSINESS

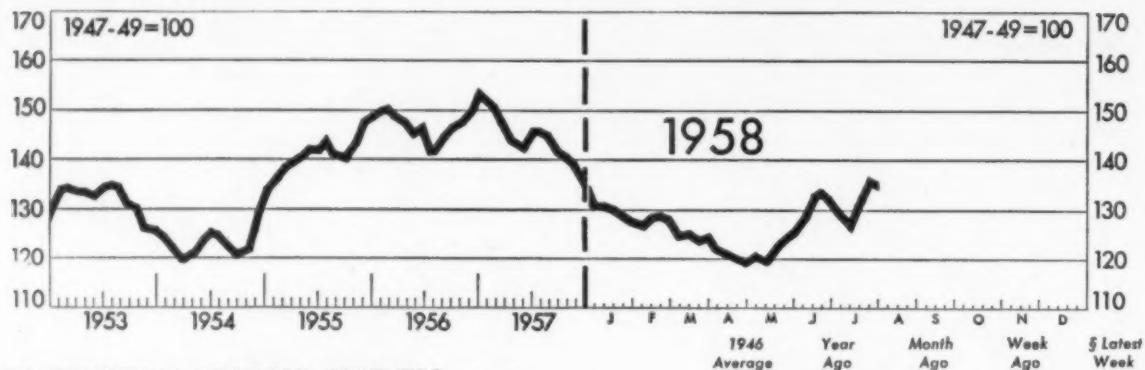
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FIGURES OF THE WEEK



BUSINESS WEEK INDEX (chart)

1,281	2,043	1,442	†1,561	1,611
62,880	140,253	46,206	†107,941	80,935
\$17,083	\$61,638	\$84,272	\$92,847	\$87,102
4,238	12,474	11,210	12,319	12,619
4,751	6,843	6,424	6,536	6,545
1,745	1,641	1,624	†1,252	1,317
167,269	282,952	193,815	289,506	299,148

PRODUCTION

Steel ingot (thous. of tons)	1,281	2,043	1,442	†1,561	1,611
Automobiles and trucks	62,880	140,253	46,206	†107,941	80,935
Engineering const. awards (Eng. News-Rec. 4-wk daily av. in thous.)	\$17,083	\$61,638	\$84,272	\$92,847	\$87,102
Electric power (millions of kilowatt-hours)	4,238	12,474	11,210	12,319	12,619
Crude oil and condensate (daily av., thous. of bbls.)	4,751	6,843	6,424	6,536	6,545
Bituminous coal (daily av., thous. of tons)	1,745	1,641	1,624	†1,252	1,317
Paperboard (tons)	167,269	282,952	193,815	289,506	299,148

TRADE

Carloadings: mfrs., miscellaneous and l.c.l. (daily av., thous. of cars).....	82	64	57	54	54
Carloadings: all others (daily av., thous. of cars).....	53	58	47	43	47
Department store sales index (1947-49 = 100, not seasonally adjusted)....	90	108	110	110	111
Business failures (Dun & Bradstreet, number).....	22	281	292	264	271

PRICES

Spot commodities, daily index (Moody's, Dec. 31, 1931 = 100).....	311.9	430.0	397.6	403.0	405.2
Industrial raw materials, daily index (BLS, 1947-49 = 100).....	↑↑73.2	92.8	83.4	85.7	86.5
Foodstuffs, daily index (BLS, 1947-49 = 100).....	↑↑75.4	86.4	89.9	89.2	88.7
Print cloth (spot and nearby, yd.).....	17.5¢	17.9¢	17.4¢	17.7¢	17.7¢
Finished steel, index (BLS, 1947-49 = 100).....	↑↑76.4	181.5	181.5	181.5	181.5
Scrap steel composite (Iron Age, ton).....	\$20.27	\$53.83	\$36.50	\$40.83	\$42.17
Copper (electrolytic, delivered price, E & MJ, lb.).....	14.045¢	28.905¢	25.888¢	26.500¢	26.510¢
Wheat (No. 2, hard and dark hard winter, Kansas City, bu.).....	\$1.97	\$2.13	\$1.75	\$1.91	\$1.85
Cotton, daily price (middling, 1 in., 14 designated markets, lb.).....	**30.56¢	33.86¢	34.89¢	34.87¢	34.85¢
Wool tops (Boston, lb.).....	\$1.51	\$2.22	\$1.65	\$1.72	\$1.72

FINANCE

500 stocks composite, price index (S&P's, 1941-43 = 10).	17.08	47.29	45.44	46.96	47.57
Medium grade corporate bond yield (Baa issues, Moody's).	3.05%	4.77%	4.51%	4.56%	4.57%
Prime commercial paper, 4 to 6 months, N. Y. City (prevailing rate).	¾-1%	3% 1½%	1½% 1%	1% 1½%	

BANKING (Millions of Dollars)

Demand deposits adjusted, reporting member banks.	††45,820	55,550	54,560	56,440	56,647
Total loans and investments, reporting member banks.	††71,916	86,365	95,262	93,825	93,512
Commercial and agricultural loans, reporting member banks.	††9,299	31,738	30,371	29,651	29,545
U. S. gov't guaranteed obligations held, reporting member banks.	††49,879	25,241	32,575	32,066	32,002
Total federal reserve credit outstanding.	23,888	24,932	26,380	26,328	26,005

MONTHLY FIGURES OF THE WEEK

Private expenditures for new construction (in millions).	July	\$803	\$3,124	\$2,979	\$3,114
Public expenditures for new construction (in millions).	July	\$197	\$1,353	\$1,418	\$1,499
Manufacturers' inventories (seasonally adjusted, in billions).	June	\$21.3	\$54.0	\$50.9	\$50.3
Wholesalers' inventories (seasonally adjusted, in billions).	June	\$5.5	\$12.7	\$12.1	\$12.1
Retailers' inventories (seasonally adjusted, in billions).	June	\$9.8	\$24.1	\$23.9	\$24.0
Consumer credit outstanding (in millions).	June	\$6,704	\$42,491	\$43,027	\$43,122
Installment credit outstanding (in millions).	June	\$3,174	\$32,608	\$32,957	\$33,054

* Preliminary, week ended August 2, 1958.
† Revised.

* * Estimate.
* * Ten designated markets, middling 11 in.

■ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—Hanns Hubmann; 25—Joan Sydlow; 28—(lt.) Robert Phillips, (cen.) Herb Kratovil, (rt.) U.P.I.; 29—(lt.) U.P.I., (cen.) W.W.; (rt.) Robert Phillips; 31—W.W.; 47—Grant Compton; 60, 61—Hanns Hubmann; 62—Herb Kratovil; 64—Grant Compton; 84—Frank Ronan; 98—Hewitt-Robins, Inc.; 100—Herb Kratovil; 101—(top) Beech Aircraft Corp., (cen.) North American Aviation, Inc., (bot.) Fairchild Aircraft

HOW TO GET YOUR COMPANY MORE MONEY TO WORK WITH—FAST!

The faster your company knows its exact balances from its outlying operations—hour by hour, day by day—the more money it has to work with. To concentrate and "free up" money for companies, we have worked out over the years a number of flexible clock-beating systems. One customer estimates that our methods enabled him to free up \$8 million. Special plans are devised for special needs. Our modern approach should give your company more money—faster. Tell us about your money transfer problems.



BANKERS TRUST COMPANY, NEW YORK

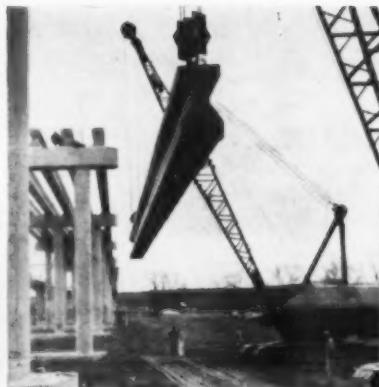
**FORWARD-LOOKING BUSINESS
NEEDS A FORWARD-LOOKING BANK**



MEMBER F.D.I.C.



45-ton prestressed concrete beams trucked in.



Cranes can set beam on girders in 15 minutes.



7 miles of beams are used in twin bridges.

Why is this one-mile stretch of highway so important in a country that has more than 3,360,000 miles of roads?



"**A most important mile**," says Mr. Kennedy. "It's a symbol of how our highway program is going forward with tremendous impact." With Mr. Kennedy (left) . . . Ralph Ward, Employers Mutuals Safety Engineer and (right) Jack Cunningham, Vice President of Condon-Cunningham Company.

The Illinois Toll Road fits into the pattern of the National System of Interstate and Defense Highways. Joint contractors are Condon-Cunningham Co., Peter Kiewit Sons' Co., and Paschen Contractors, Inc.

With offices throughout the country, Employers Mutuals serves these contractors along with many others on many different jobs. We are one of the largest in the field of workmen's compensation. We also write

all forms of fire, group and casualty insurance (including automobile). For further information see your nearest representative (consult your telephone directory) or write us in Wausau, Wisconsin.

Wausau Story

by G. DONALD KENNEDY
President, Portland Cement Association

"Here in a single mile of the Illinois State Toll Road, you'll find many answers to the challenging problems of making our highway system safe and adequate for both present and future needs.

"Actually this mile is a pair of bridges made up of 456 precast concrete beams. Because the beams are *precast* they can be put into place quickly. But that's not all. These beams are also *prestressed*. Inside each beam, running from end to end, are tightly stretched steel cables. This permits the use of longer unsupported spans than ever before without sacrificing strength. Here is an example of the latest trend in simplified and economical design . . . of modern materials and techniques being used for good, rapid road building.

"Here's an example too of some unique services that aid highway builders. Our organization, the Portland Cement Association, has worked with the engineers here. I guess you'd say we were engineers' engineers. And Employers Mutuals serves these contractor-policyholders in their typical Wausau Way of working. As one contractor told me—and he's done business with Employers Mutuals for more than 20 years—"These people have a practical approach to on-the-job safety. You can rely on them. They're good people to do business with."



Employers Mutuals of Wausau



"Good people to do business with"

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READERS REPORT

Proler Process

Dear Sir:

I am sure that our member company, Proler Steel Corp., will be pleased with the manner in which BUSINESS WEEK handled the story of its new scrap process [BW—Jun. 28'58, p80].

But other members of the industry who have their investment in hydraulic balers are less than happy with the description of No. 2 bundles, their principal product:

"Its purpose is to beat the problem ordinarily faced by steel mills that use junks autos and other lower grades of scrap, in coping with unwieldy bundles of flattened machinery, shot through with brass, copper, aluminum, rubber, wood, and glass, and ridding this of non-ferrous rubbish."

Most mills in the country use No. 2 bundles. I would hesitate to describe a bundle the size of a modern-day television set as being "unwieldy." As a matter of fact, most bundles produced are an easy, compact package for mills to use. If this were not the case, we wouldn't be able to sell our product. There are, however, some larger presses now coming on the market that make bigger bundles, and these might be described as unwieldy in comparison to the majority of bundles.

So far as bundles being "shot through with brass, copper, aluminum," any scrap dealer who leaves brass and copper on the scrap in sufficient amounts to justify the phrase "shot through," is a poor businessman because both of these items bring more money when sold than steel scrap. The same applies to aluminum, but to a lesser extent. . . .

What the Proler method does is to upgrade scrap from the No. 2 bundle category to a No. 1 busheling grade, as BW indicates, by removing the non-ferrous and non-metallic items without burning or hand stripping. . . .

WILLIAM L. STORY
DIRECTOR OF PUBLIC RELATIONS
INSTITUTE OF SCRAP IRON &
STEEL INC.
WASHINGTON, D. C.

X-Ray Camera

Dear Sir:

There appeared under New Products [BW—Jul. 5'58, p38] a short description of a "new camera" with which X-ray photographs could be taken with 60% less patient exposure time. Taking into consideration



HARD TO MERCHANDISE?

Bemis flexible packaging may solve your problem



PICKUP for hung-over sales curves! Bemis Handle Bags make it *easy* for the customer to buy the giant economy size of dog food, salt, peat moss—anything you'd package in bags up to 30-lb. capacity. No wrestling, no dropping—no lost sales! Could a Bemis *flexible* packaging idea "put a handle" on your product? It's worth your inquiry.



HOT IDEA FOR COLD BEER! It was just a polyethylene bag until imagination went to work. Filled with cracked ice, this Bemis Drawcord Bag is the lightest beer cooler ever... empty, it's perfect for wet swimsuits or picnic leftovers. The brewer who used it as a merchandising plus reports a pleasant increase in sales, thank you.

WHERE FLEXIBLE PACKAGING IDEAS ARE BORN

Bemis may already be making the better package you need—Write:
PRODUCT DEVELOPMENT, 408-D Pine Street, St. Louis 2, Missouri

Bemis



its lens (1/0.95), the figure of 60% was probably arrived at by comparing it with the conventional refractive lens type X-ray camera that utilizes an f/1.5 lens.

While this is indeed an improvement in refractive optics as applied to medical photofluorography, we're sure you will be interested in knowing that there has been available for the past several years an X-ray camera utilizing mirror-optics which reduces patient exposure to radiation by 80% as compared to commonly used lens cameras. This camera is marketed in the United States under the name Fairchild-Odelca. About four out of five of all X-ray cameras sold throughout the world today are of the Odelca type. . . .

J. N. MILLER
MARKETING MANAGER, MEDICAL
PRODUCTS
INDUSTRIAL CAMERA DIV.
FAIRCHILD CAMERA &
INSTRUMENT CORP.
SYOSSET, N. Y.

Cold Sales

Dear Sir:

As a reader of BUSINESS WEEK for years and having read week after week about automobiles and the way the sales have fallen off, I have to make the following comments.

They spend millions changing over models when a very simple thing could boost their sales tremendously.

Why don't they put in a simple air conditioner in all the low and medium cars and sales would zoom upward. Keep the price the same and make it standard on all cars. They keep hollering about bad sales when a simple thing as above would clear everything up.

IRVING LEVY
WINTHROP, MASS.

• It's been hot in New York lately, too.

Harrisism

Dear Sir:

There is no difference between McCarthyism and Harrisism. The Republicans that openly and silently supported McCarthy are now the most vocal in their denunciation of the methods of Oren Harris.

The abject failure of the Republican Party to have promptly and properly contained McCarthyism has set the precedent for the situation that exists today.

EDWARD J. MODEST
NEWTON, MASS.

MORE "BARK" THAN "BITE"

in this front...

with RCA's new WEATHER RADAR in your plane!



When the weather looks like this, the old rule book says "go around." But not when you have RCA's AVQ-50 in your business or executive aircraft. Its scope will point out to you, night or day, or in IFR conditions, non-turbulent paths through or between storm areas that may save time-wasting, costly detours and give you and your traveling companions a smoother, more comfortable ride.

In addition to giving you this "look-see" into the weather as far as 80 miles ahead, the AVQ-50 provides ground-mapping information. Because of its lightness, efficiency and dependability, the AVQ-50 is being specified as standard equipment by operators of executive aircraft where weight, space and power are at a premium.

For further information address . . .

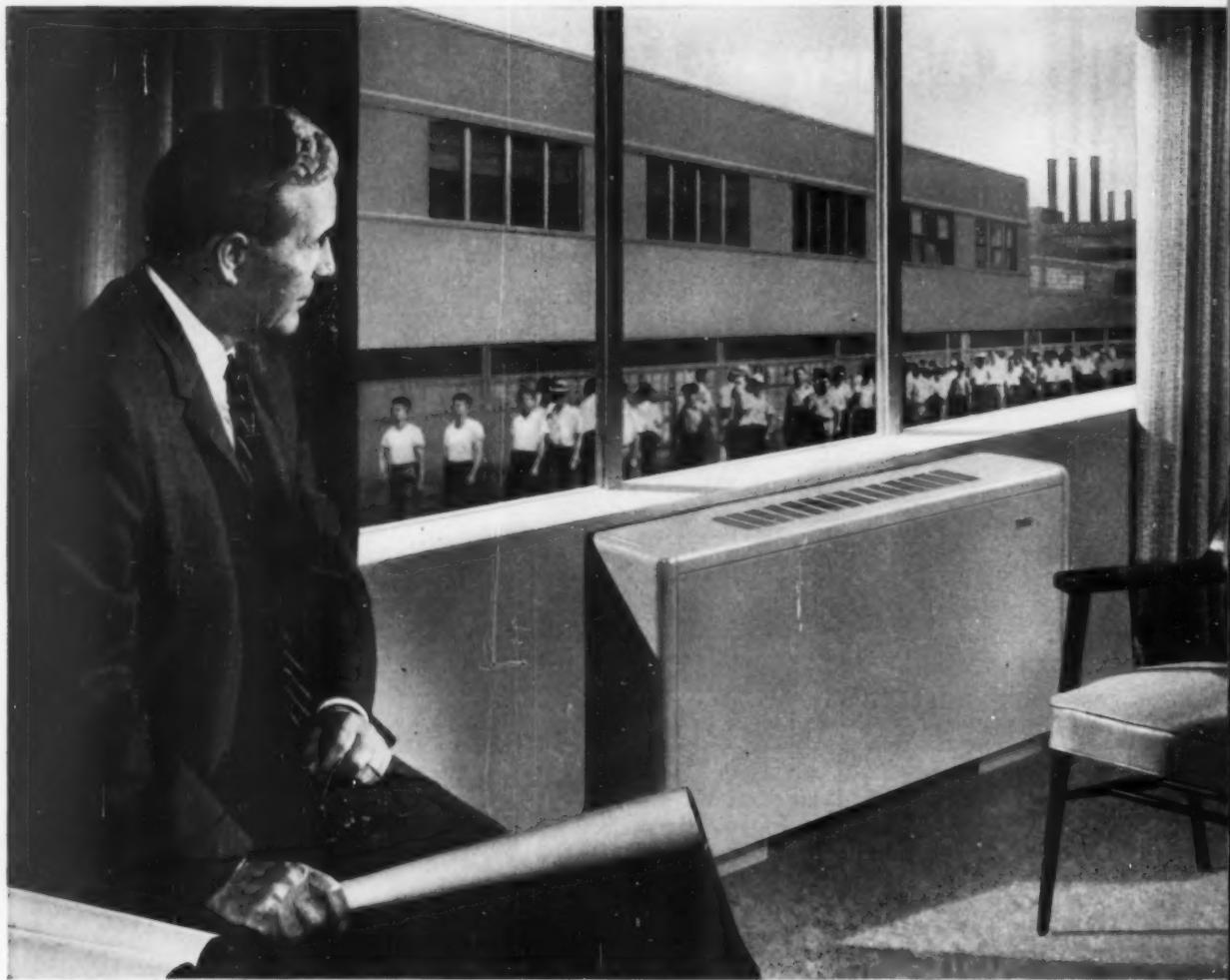


RADIO CORPORATION of AMERICA

CUSTOM AVIATION EQUIPMENT

11819 W. OLYMPIC BLVD., LOS ANGELES, CAL.

Air Conditioning



UniTrane air conditioning unit shown above has its own individually controlled fan. Induction air unit also available.

Trane changes climates to order in buses and trains, ships and planes; heats and cools factories and schools, hotels and homes. For human comfort or industrial processing—for any air condition, turn to TRANE!

Talk to the men who know all 4 related fields . . .

Air Conditioning

IBM cools electronic brains—and the people who make them—with TRANE equipment. Three TRANE CenTraVacs provide chilled water to cool the test area shown.



for the factory?

Comfort cooling for stores, offices, theaters and restaurants has for years proven to be a sound investment. Now, management has found that factory air conditioning can pay its own way, too! TRANE comfort cooling in the factory pays off in increased worker efficiency and better quality control. There is less absenteeism, and it is far easier to attract and hold the better type of worker.

That's why TRANE comfort cooling for factories has found increasing acceptance—especially in precision manufac-

turing operations having a large, highly skilled labor force.

TRANE leadership in all phases of heating, cooling and ventilating assures you of superior product design, peak performance with *matched* equipment for any job. There is dependable TRANE equipment to heat and cool buildings of every size or type—from factories to giant skyscrapers to corner stores.

Want more facts? Ask your architect or consulting engineer to talk to your nearby TRANE Sales Office. Or write TRANE, La Crosse, Wisconsin.

For any air condition, turn to

TRANE

MANUFACTURING ENGINEERS OF AIR CONDITIONING,
HEATING, VENTILATING AND HEAT TRANSFER EQUIPMENT

THE TRANE COMPANY, LA CROSSE, WIS. • SCRANTON MFG. DIV., SCRANTON, PA. • CLARKSVILLE MFG. DIV., CLARKSVILLE, TENN. • TRANE COMPANY OF CANADA, LIMITED, TORONTO • 97 U.S. AND 19 CANADIAN OFFICES



Heating

Heat, cool, dehumidify private offices with compact UniTrane units. Each occupant dials the climate he wants—when he wants it! No wasted cooling or heating.



Ventilating

Exhaust stale air and fumes . . . bring in outside air with a rugged, dependable TRANE Fan. Many special models available to handle any process or comfort air handling job.

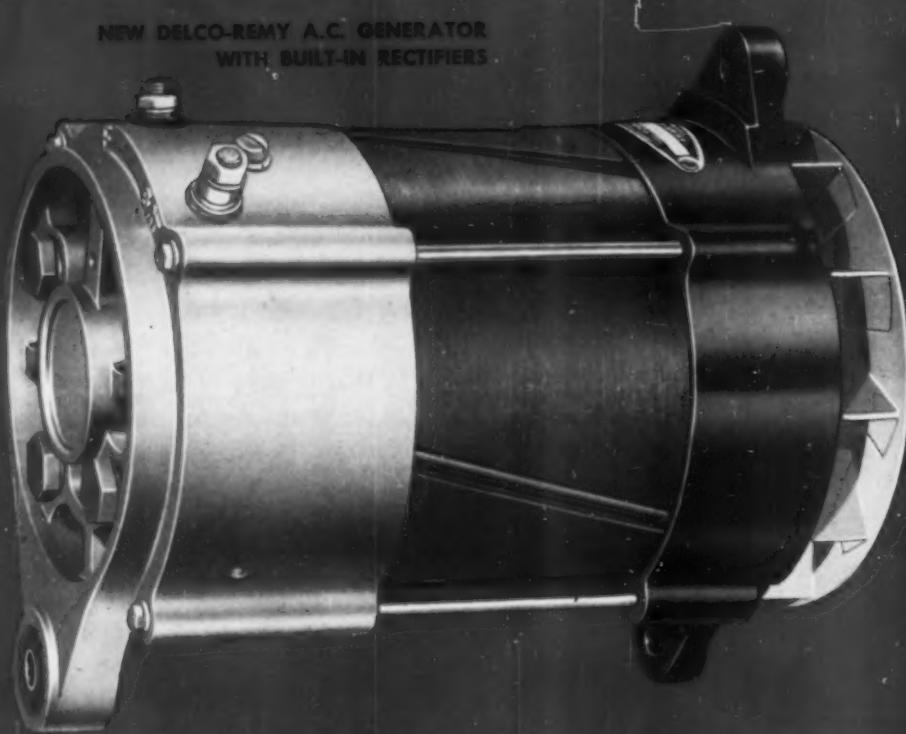


Heat Transfer

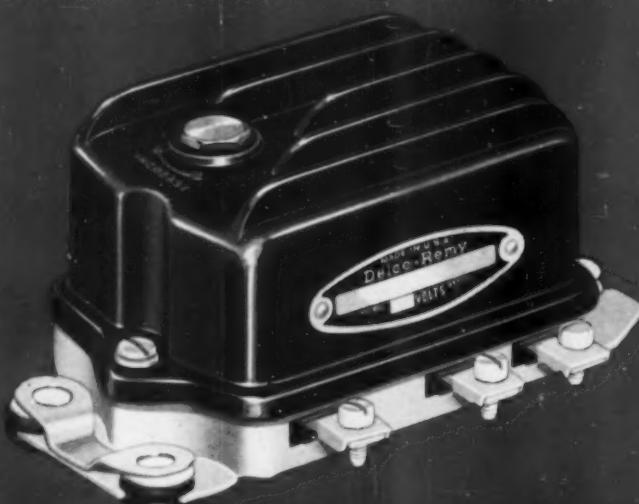
Oxygen production, vital to defense and industry, is helped by TRANE Brazed Aluminum Heat Exchangers. Operating temperatures are often as low as 300° below zero!

ANNOUNCING A MILESTONE

NEW DELCO-REMY A.C. GENERATOR
WITH BUILT-IN RECTIFIERS



PROGRESSIVE ENGINEERING MAKES THE DIFFERENCE



NEW DELCO-REMY TRANSISTOR VOLTAGE REGULATOR WITH NO MOVING PARTS



IN AUTOMOTIVE ELECTRICITY

—DELCO-REMY'S NEW GOLDEN MILESTONE SELF-RECTIFYING A.C. GENERATOR WITH TRANSISTOR REGULATOR

Progressive engineering at Delco-Remy has produced the most significant development in automotive electricity in two decades—the revolutionary new *golden milestone* self-rectifying a.c. generator and its companion all-new transistor regulator. This trend-setting new power team is designed specifically to meet the extra output requirements of *future* cars and trucks—beginning with 1959 models.

The compact new generator with its specially developed built-in silicon rectifiers can be installed quickly and easily with a minimum of change in standard d.c. electrical systems . . . offers a heavy charge at engine idle and up to *twice* the total output—with only a small increase in weight.

Delco-Remy's unique transistor regulator represents a bold new concept in voltage regulation—an electronic unit composed of durable long-lasting transistors and diodes *with no moving parts*. There are no mechanical components such as springs, hinges and contacts, so mounting position and vibration have no effect on operation, and the usual adverse effects of temperature and humidity are nullified. To the user, this means long-lasting settings, more accurate control of generator voltage, and elimination of periodic maintenance.

The Golden Milestone Power Team is an outstanding example of Delco-Remy engineering leadership in the automotive electrical field—of Progressive Engineering at work for you.



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Service—provided locally, in depth, ranging from in-stock deliveries to metallurgical research

Materials buyers, instituting a "get to know your supplier" policy, are profitably rewarded when they investigate the local Crucible warehouse. For Crucible provides the most complete steel service available — down to the smallest detail.

For example, master files are kept on customers' receiving schedules and special requirements, so that deliveries are accurate and trouble-free. Special delivery vehicles, maintained in addition to truck fleets, ensure prompt delivery in emergencies. Provisions are made for fast, accurate information on analyses, heat-treating, machining, etc., and you can get it by phone or service contact, depending on your needs.

This technical assistance is designed to supplement each phase of your own operation — engineering, production, toolroom or maintenance. A special "vertical service" is maintained so that, where necessary, customer assistance is carried out by specialists in particular types of steel; for example, high temperature, stainless, die casting, etc. On the research side, examples too numerous to mention show how Crucible metallurgical service can help develop steels to meet new, more exacting requirements in your field — special steels that might permit advanced techniques to offset the rising cost of production.

A not inconsiderable part of Crucible service is its wide range of products (up to 16,000 items in local stocks alone). This range, combined with current inventory programming with an advanced model IBM computer, opens the possibility that your local Crucible salesman can actually locate an unusual special item you need by searching the entire nation-wide network of Crucible warehouse stocks — and do it in minutes while you wait on the phone.

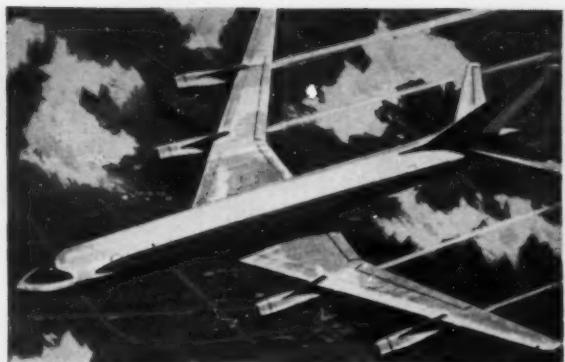
This service in depth at one local source means better, faster, more profitable steel buying, whether you make high speed drills, soda fountain equipment, valves, gears, turbine parts, surgical equipment—in fact, if you require steel at all, in any form or analysis.

If you would like to investigate the advantages of Crucible service, why not contact one of Crucible's 27 branch offices and warehouses? For the address nearest you, or for data on any phase of our service, write *Crucible Steel Company of America, Dept. MH05, The Oliver Building, Mellon Square, Pittsburgh 22, Pa.*



HIGH SPEED STEEL — Finish obtained in machining hobs from low-cost Rex® M-2-S is so good no finish grinding is needed. This machinability, plus extra qualities of hardness, toughness, abrasion resistance and hardenability make it an exceptional and economical choice for broaches, chasers, lathe tools, reamers, taps, etc.

FROM CREATIVE CRUCIBLE — the one full range of special steels: high speed; tool steel; plastic mold; stainless; free-machining, high-strength, wear-resistant and standard AISI alloys; hollow drill; agricultural discs and shapes; heavy-duty coil springs; specialty alloys; permanent magnets; precision castings; cold rolled alloy and carbon spring steels; titanium and titanium alloys; stainless and high alloy welded tubing; vacuum-melted metals.



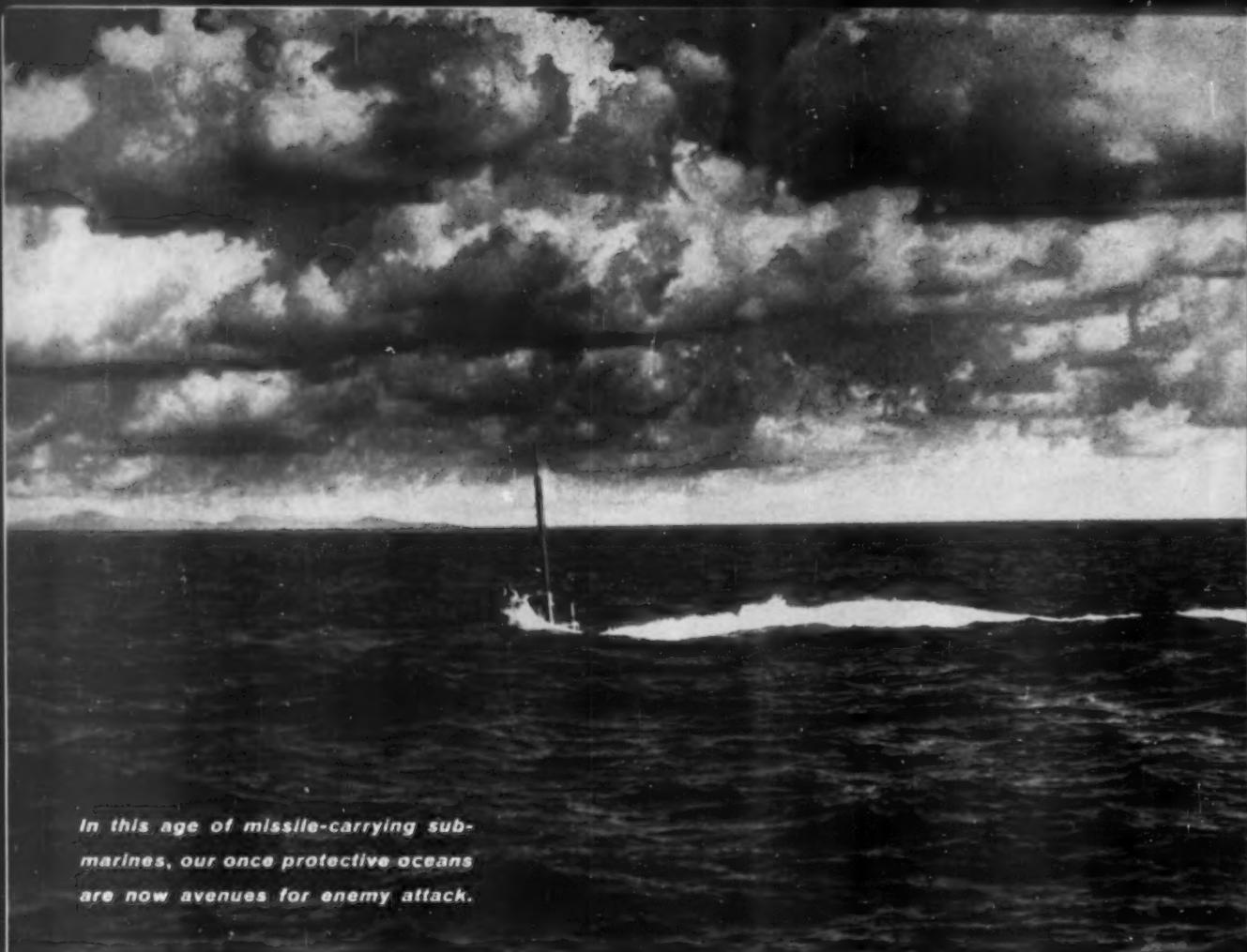
TITANIUM — In modern jetliners now in production, and soon to be seen on commercial airways, Crucible titanium has been selected for such vital parts as jet engine pods, ailerons, and tail assembly parts. That's because of its high strength — light weight characteristics that improve aircraft efficiency — make possible greater payloads.



WEAR RESISTANT ALLOY STEEL — One of steel's tougher assignments occurs in the heavy construction industry where a combination of high strength and toughness is needed, along with an ability to stand up under severe abrasive conditions. It was precisely for such applications as this — wear plates, grouser bars, rock crushers and the like — that Crucible MAX-WEAR alloy steel was developed.



STAINLESS STEEL — When it comes to food handling — in soda fountains, restaurants, schools or other institutions — no material surpasses Crucible stainless steel. Its rugged strength, long-life lustre, and easy-to-clean surface make it the ideal material wherever eye appeal, sanitation and low maintenance requirements must be met. Crucible stainless sheet and strip are available in all standard gauges and widths.



In this age of missile-carrying submarines, our once protective oceans are now avenues for enemy attack.

hit-and-run divers

MISSILE-PACKING SUBMARINES are as sinister a threat to us as Inter-Continental Ballistic Missiles. They foreshadow a new dimension in warfare; high speed, nuclear-powered subs firing solid-fueled missiles with 1500-mile range... while still submerged! Foreign powers already have several times as many subs as we do, *10 times* as many as Hitler had at the start of World War II!

Against those who might stalk us by sea, U. S. "hunter-killer" aircraft use Texas Instruments radar, magnetic, sonar, and other apparatus to

locate subs... whether surfaced or submerged. TI's extensive antisubmarine electronics experience is further bolstered by the technical similarities to electronic geophysical exploration gear and procedures developed and applied by Texas Instruments many years ago.

For over a quarter century, Texas Instruments has been combining such differing technologies to bring new concepts to submarine detection, aircraft early warning, missile guidance and control, transistorization and infrared applications, electronic components, and oil exploration, and instrumentation.

TEXAS INSTRUMENTS
INCORPORATED

keep an eye on TI



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DALLAS 9,
TEXAS

Right off the Wire

About half of this country has been converted to dial telephones and it is expected that within five or ten years, it will be possible to dial Europe or the Hawaiian Islands.

&

Two new developments in "fiber optics" (the use of glass or plastic fibers to transmit light around curves) are in the examination of the inside of the human body and in cryptography.

&

A new plastic reinforced with silica withstands high temperature better than steel.

&

A new technique in the use of radar antennas which involves sweeping the beam will give them a range of 3,000 miles without increasing their size.

&

Simplex researchers, D. W. Kitchin and O. S. Pratt, have developed techniques for taking photomicrograph movies of polyethylene insulation failures caused by excessively-high voltages.

&

A thermo-electric engine, based on the temperature differential between dissimilar metal plates, converts atomic energy directly into electricity with a thermal efficiency of twelve per cent.

&

A new machine uses the light from atoms of mercury to control the engraving of lines on diffraction gratings which must be less than a wave length of light apart. Accuracy is closer than one-millionth of an inch.

&

The strength of cast iron and resistance to high temperature are combined with good electrical resistance in a new ceramic.

By using a clock based on the vibration of an atom of cesium, it has been found that the length of our day has been increasing half a thousandth of a second per year.

&

A new television picture tube has a front of double glass with mineral oil between. This increases light transmission by reducing reflection.

&

A two-volt booster battery is made to supplement a regular automobile battery. It is used only in starting.

&

Simplex ANHYDREX XX insulation has greater resistance to deterioration at elevated operating temperatures than any natural rubber of GR-S heat resisting insulation.

&

A ramjet power plant for permanent earth satellites has been designed which would obtain its power from the re-combination of oxygen atoms that have been divided by cosmic radiation in the higher altitudes.

&

Further information on these news items and on Simplex cable is available from any Simplex office. Please be specific in your requests.

&

An electron tube the size of a shirt button is made of layers of titanium and ceramic. It makes the tube competitive in size with the transistor.

&

An instrument for detecting radiation is said to be so sensitive that it can detect a thousandth of a gram of chromium 51 dissolved in a river.

&

A patent has been issued for a television set that shows two programs superimposed on one screen. The images are separated by polarizing glasses and individual earphones reproduce the sound.

A treatment for metal bearings is claimed to make it possible to run them indefinitely without lubrication. It has also been tested on power press tools.

&

A three-dimensional cathode-ray tube gives a display with a depth of one mile.

&

A steel roller for a new paper mill is said to be the largest in the world. It is over twenty-six feet long and is forty-four inches in diameter.



Submarine cables for railroad use!

Submarine cable is required by the New Haven R.R. for the power and control of 24 movable spans at 14 railroad bridges. Old style steel armored cable suffered the ravages of salt corrosion, strong currents and constant flexing, all of which resulted in high maintenance. Replacements, as required, are made with new Simplex submarine cable, jacketed in fabric-reinforced neoprene — a product of Simplex research — a remedy for delayed service and high maintenance costs.

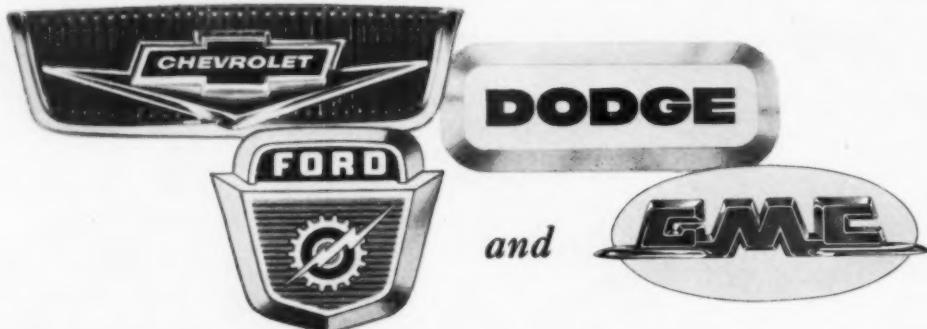
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Highest quality cables for: Mining
Power & Lighting • Construction
Transportation • Communications
Signalling

This "Automatic" makes any truck a top

Now available in



and

*the Allison Fully Automatic Truck Transmission pays
for itself within the first 12 months of operation.*

TAKE a truck—any Chevrolet, Dodge, Ford or GMC truck equipped with the Allison Automatic Transmission—head it for the steepest grade you can find, and watch that "Automatic Brain" start saving work and time.

As you hit the grade, you merely select the range—the "Automatic Brain" does the rest.

As the grade gets tougher, the right gear is selected automatically—the engine just can't lug.

When the grade eases up, again the right gear

is selected automatically—the engine just can't race, either.

Then when you top the rise and head downhill, that's when the Allison Automatic gives you a real performance bonus. For the built-in hydraulic retarder permits faster, safer descents on even the steepest grades.

And hills are only half the story

Sure, this "Automatic Brain" makes a top-notch hill-topper of any truck—but it does a load more than that.

Allison

Brain" makes -notch hill-topper

- Increases payload 33 $\frac{1}{3}$ % per trip for West Coast contractor
- Lets 3 trucks do the work of 4 for New Jersey sand hauler
- Cuts brake maintenance 75% for Utah ore hauler
- Gives Michigan car hauler 100 extra miles per day
- Slashes engine maintenance 50% for Rocky Mountain trucker

It really brings America a new kind of truck.

Take that built-in hydraulic retarder, for instance. It also lets you slow down in level city traffic without ever touching the service brakes—and that can mean a moneybag full of savings on brake lining repairs alone.

But that's not all this "Automatic Brain" does. It saves fuel with its direct-drive lockup in every forward gear—reduces trip time an average of 18%—boosts engine life 35% by cushioning shocks.

The "Automatic Brain" has been engineered into the newest medium and heavy-duty trucks, school buses and other commercial vehicles by Chevrolet, Dodge, Ford and GMC. It's also available in an integrated engine-transmission power plant with Chrysler and Ford industrial engines.

Get the full story on the money you'll make—and save—with the Allison Fully Automatic Truck Transmission from your Chevrolet, Dodge, Ford or GMC truck dealer or write:

ALLISON DIVISION OF GENERAL MOTORS, Indianapolis 6, Indiana



Transmissions

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Breck gets superior plastic packaging at no extra cost with this handsome, practical and durable Hi-fax bottle.

Hi-fax, Hercules high-density polyethylene, made possible this dramatic breakthrough in plastic "carrier" packages. This Hi-fax container for Breck Banish is featherlight, unbreakable, handsomely decorated by offset printing . . . a truly modern, low-cost package for a modern new beauty product.

Plax Corporation, Hartford, Conn., producer of the new Banish bottle, now offers packagers a complete line of stock Hi-fax containers ranging in size from 32 ounces to 6 ounces. Only $\frac{1}{8}$ the weight of glass, yet competitive

in cost, these modernistic containers provide a combination of advantages possible only with Hi-fax—shatter-proof toughness, heat resistance which permits post-packaging sterilization, and resistance to stress corrosion cracking. Hi-fax bottles can be safely packed and shipped in economical, lightweight containers, provide substantial savings in freight costs.

Whether you make containers or use them, why not write to Hercules for more information about how Hi-fax can help to give your product a new look.

Plax Corporation offers many opportunities for Hi-fax packages in a selection of stock and custom sizes.


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900 Market Street, Wilmington 99, Delaware

HERCULES



BUSINESS OUTLOOK

BUSINESS WEEK
AUG. 9, 1958



Steps to fight inflation—before recovery is fairly under way—take the business spotlight this week.

The increase in the margin required for buying stock was more than a rap on the knuckles for Wall Street—although it was that, and the stock market felt it (page 26).

It was supposed to show that the Federal Reserve was on the job.

Certainly the stock market has been using a lot of borrowed money. It has soaked up three-quarters of a billion dollars so far this year.

Wall Street insists that isn't too much. The Fed is dubious.

Anyhow, judging by the past, tighter margins will reduce trading activity. Maybe they also will pull the budding bull market up short.

Deep down, serious financial people aren't too greatly concerned about what happens to the stock market now.

Everyone agrees that speculation which led to a crash would be a disaster. The harm done to business would be bad enough, but the damage to our international position would be incalculable.

Now suppose that danger is averted. Is it also implicit that other steps to control inflation will be successful?

Recent buying of stocks is symptomatic of a basic distrust.

People have been watching prices rise even in a recession. They recall past ineffectiveness of credit controls (page 112). And they are betting that new anti-inflation measures aren't going to work either.

That's why they are trying to hedge in the stock market.

One thing should be borne in mind, of course: The true hedgers against inflation aren't many of them buying on margin. They pay cash in full. But speculators, seeing the chance to ride this wave, borrow as much as they can so as to increase their potential profits.

—•—

Businessmen should be watching a worsening situation which is a clear side-effect of the stock market-inflation problem.

This is the growing difficulty of raising money on long-term bonds.

When people get inflation-minded, they don't want fixed income securities. And the institutional investors that always buy bonds can't absorb unlimited quantities.

Some of the troubles in the bond market originate, it is true, in the troubles of speculators who got trapped in government issues. Many dumped their holdings to limit their losses.

But the real trouble is the scarcity of investors who have enough faith in the dollar to risk tying up money in bonds.

—•—

Troubles in the bond market bring you full-circle on the inflation problem. If the Treasury can't sell long-term securities in meeting the

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
AUG. 9, 1958

prospective \$12-billion to \$13-billion deficit, how can it avoid feeding the inflation that has scared off long-term bond buyers?

For, if the Treasury is forced to sell short stuff (and the Fed keeps interest rates low to make this financing feasible), then banks almost alone will be the buyers.

And you know what that means: **Selling governments to the banks is very nearly equivalent to the Treasury's going to the printing press.**

If the Federal Reserve doesn't help the Treasury (that is to say, if the central bank tightens credit in the fight on inflation), then bond prices will go down still further.

That will serve to make most investors all the more timid—and to make business financing all the more difficult and expensive.

—•—

Dealers in the tax-exempt "municipals" sold by state and local governments to finance public works report their market far from serene.

Most of these issues are "serials"—certain stipulated amounts falling due each year. The bond houses sell the nearby maturities easily enough—only to find the long ones going onto their shelves.

—•—

What are the **business implications** of these inflation and anti-inflation problems?

- Short term, for the rest of this year, not very much. Little damage is likely to the recovery unless confidence is undermined.
- For the longer term, plenty. Fighting inflation could curb business long before we get back to the long-range growth curve. That would leave businessmen still feeling the over-capacity blues.

Making jobs and creating the purchasing power for those promised Markets of Tomorrow rests very largely on business spending today. If investment in plant and equipment is discouraged in 1959 and 1960, there won't be the kind of market we're hoping for in subsequent years.

—•—

Consumer incomes now undoubtedly are in new high ground.

However, this summer's rise has been due more to higher government salaries, more social security, and wider unemployment compensation than to recovery in industrial payrolls.

Manufacturing, trade, and service payrolls will rise from now to Christmas, though. There will be more jobs and at higher hourly rates.

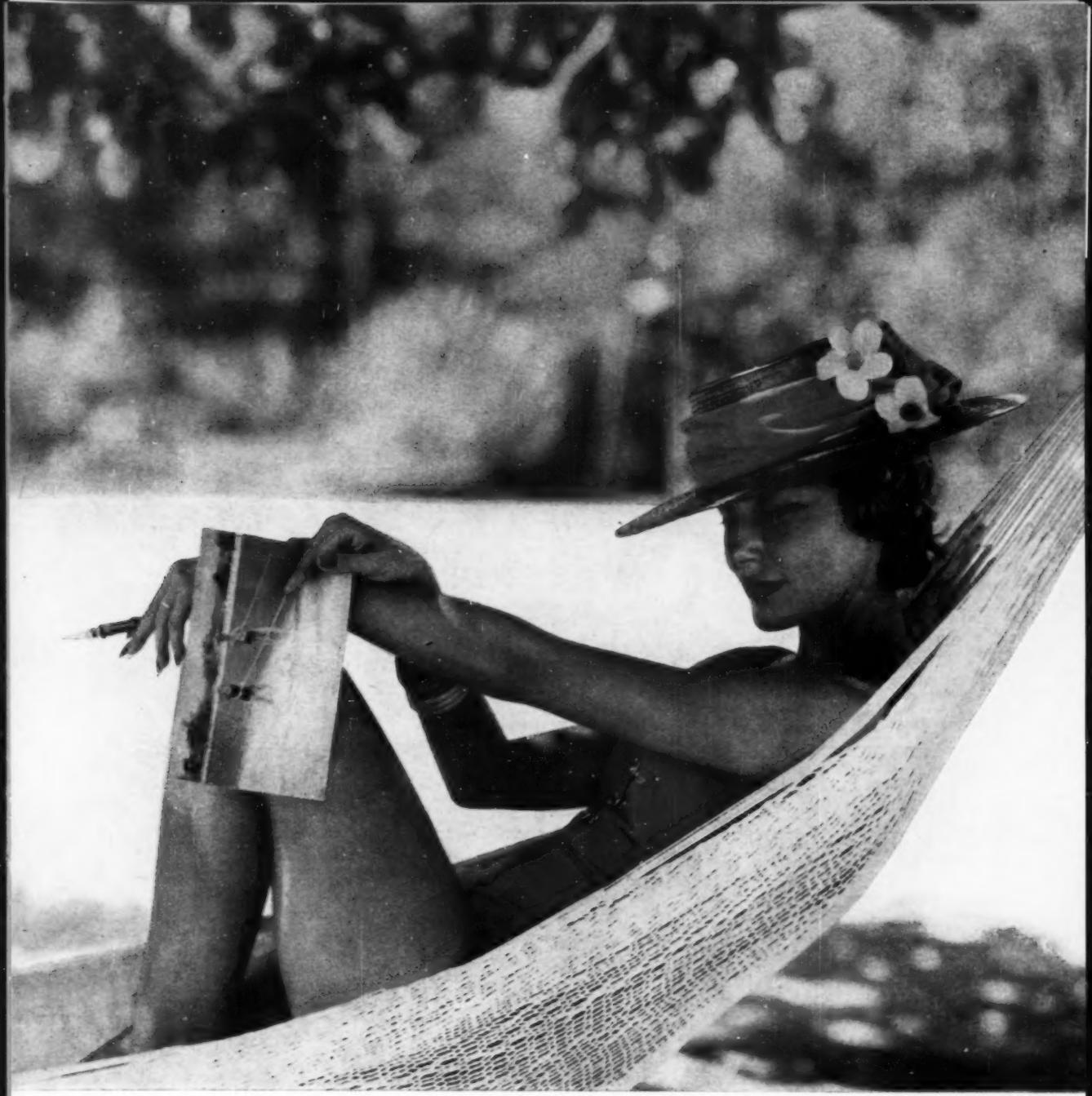
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Reports of the chains and department stores indicate that **retailers in July had the first good gain over a year ago for 1958 to date.**

This takes on added weight when you consider this fact: July and August last year, after allowance for seasonal factors, set the high-water mark for the boom in point of retail dollar volume.

Cash registers rang up over \$17-billion for both 1957 months.

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Whenever you
remember



Taillight lenses molded for Oldsmobile
by Guide Lamp Division of General Motors Corporation,
using Tenite Butyrate plastic.

Need a tough, outdoor plastic... this new use for Tenite Butyrate

Simple applications often do the best job of illustrating the many advantages of Tenite plastics.

Take the taillight lenses of the 1958 Oldsmobile as an example. They're a new use for Tenite Butyrate.

Reasons for the choice were many. Weather resistance, of course, was of primary importance. Transparency and good optical properties were other requisites. Impact resistance was needed, too, to take the shock of hard knocks...and toughness, which would serve to prevent cracking around the bolt holes should mounting bolts be drawn up too tightly.

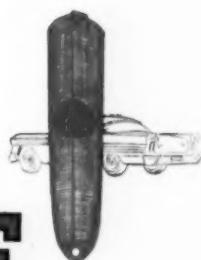
Expanding use of higher octane gasolines imposed still another "must": resistance to the aromatic solvents that give the new gasolines their extra power.

Finally, since a lens should be expected to last the life of the car, a material was needed with good aging properties—i.e., a material that would stand up under long service with little or no crazing, discoloration, or embrittlement.

In Tenite Butyrate, designers found a plastic material with properties that satisfied all these demands. The toughness, weatherability and long life of this versatile plastic had already been proved in numerous outdoor applications such as oil field pipe, signs, fishing lures, buoys and marine trim.

Is Tenite Butyrate a possible answer to one of your own material problems? Easy and economical to injection mold or to extrude, it is available in crystal clear or in any color you desire...transparent, translucent, opaque, or variegated.

For more information on this useful plastic, write EASTMAN CHEMICAL PRODUCTS, INC., subsidiary of Eastman Kodak Company, KINGSPORT, TENNESSEE.



TENITE
BUTYRATE
an Eastman plastic



When you air condition, do it right—

**a private office deserves
a private thermostat on the wall**



*Honeywell Pneumatic
Round—a tiny fraction
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Why be satisfied with less than full effectiveness from your air conditioning? For only a tiny fraction of your total air conditioning investment each of your private offices can have its own private Pneumatic Round Thermostat.

The watch-like accuracy of the Honeywell Pneumatic Round assures constant comfort. Its snap-off outer ring makes painting and decorating a snap.

And with a private Honeywell Round, wasteful overheating or overcooling is also

eliminated. Employees can adjust the temperature in their individual spaces or offices for maximum personal comfort and working efficiency. In reception areas, multi-desk areas and lounges, strategically placed Honeywell thermostats eliminate pockets of discomfort.

Installation is simple, too—for new or existing buildings. Get complete information by calling your local Honeywell office. Or write Minneapolis-Honeywell, Dept. BW-8-29, Minneapolis 8, Minnesota.

Honeywell



First in Control

AUGUST 9, 1958

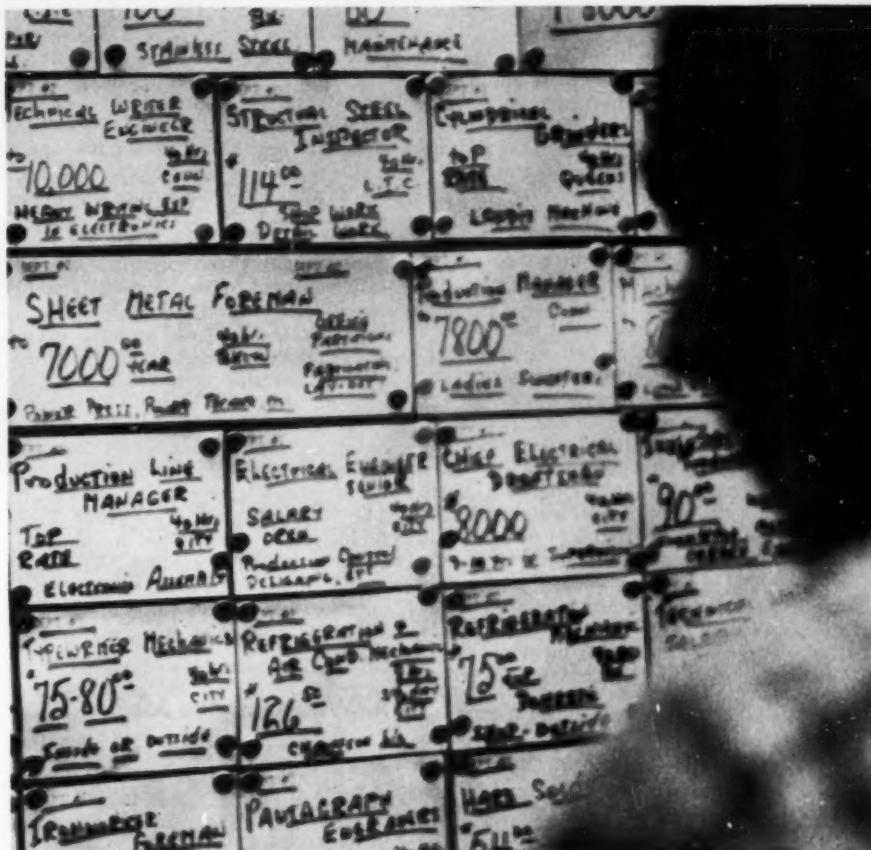
NUMBER 1510

- Job seekers are beginning to find a few more openings, especially if they have a skill to offer (picture).

- Employers are summoning some of their laid-off workers back to the job.

- In July total unemployment was less than in June.

- But businessmen are still hesitant: They won't rehire widely until recovery is sure.



The Back-to-Work March Begins

All over the country, when you talked to businessmen about the job market last week, the prevailing reaction was guarded optimism.

"We're rehiring spottily," said a rubber company official. "We anticipate a future increase, but we're waiting to see it before we really begin recalling employees."

"We'll start rehiring if business turns out like current indications promise," observed a steel executive.

A Philadelphia maker of electrical gear added: "We're rehiring on a slow but steady basis, gradually building up our work force."

And in Portland, Ore., a shipbuilder's personnel manager had this to contribute: "When we do take people back, we are making sure we are taking

back those who can give us the biggest work load."

A Few More Jobs—Added up, these were genuine glimmers of hope for those Americans who have been spending the recession in nervous scanning of employment agency bulletin boards and the classified. The hope was backed up by statistics, too. The July figures from the Commerce Department's Census Bureau showed slightly less joblessness than in June. Manufacturing employment, according to the Bureau of Labor Statistics, dipped only 23,000—nominal in comparison with the 154,000 plunge in July a year earlier—and all the declines were less than expected for the season. Among the professional forecasters, the predominant view is that the worst is behind.

Of course, no one looks for a big upsurge in jobs. But optimism has mounted since the time when the President's Council of Economic Advisers made its dour estimate of 5.1-million jobless at yearend. Thanks to the continued improvement in business, BLS now pegs fourth-quarter unemployment at a slightly better 4.5-million to 5-million.

From now until mid-September, says the Labor Dept.'s Bureau of Economic Security, there should be a "slight, but widespread" increase in totals of non-farm jobs. And—always subject to the fact that employer hiring plans can change in a hurry—the trend should continue through the middle of November.

Waiting for Detroit—All this cheer,

however cautious, rests on a hunch that business will pick up more swiftly than had been previously predicted. The mood is tempered by a now-familiar doubt voiced by more than one executive: "What we do depends on what happens in Detroit." In the short run, Detroit may bump August unemployment totals upward, because of auto industry layoffs for model changeovers beginning this week and next. But in the longer run, the new '59 models could be a welcome tonic throughout the economy—if they catch on. There's another big "if" in Detroit—whether auto workers will strike, and if they do, how disruptive the walkout will be.

I. Waiting to See

Because of the protracted contract negotiations in progress between the Big Three and United Auto Workers, Detroit isn't a very good place to look for the current pattern in hiring and firings. Everywhere else, the bosses are waiting to see if recovery really is here to stay before rehiring laid-off workers; in Detroit, the Big Three employers are waiting for that reason and also for a settlement of the pending labor issues.

Except for the auto makers, Detroit employers are running true to the national norm by hesitantly recalling a few of their idle workers to the job. And American Motors supplies a happy exception to autos' rule, with peak employment of 10,000, including all the 700 production workers sent home in late June.

The same sort of contrasts crop up in Philadelphia. On the one hand, New York Shipbuilding Corp. is so busy with contracts on the nation's first nuclear merchant ship and a Navy super carrier that it has doubled its payroll, from 4,500 to 9,300, since last November and is still hiring. At the other extreme, Vertol Aircraft Corp. has cut back from 4,500 to 2,300 employees in 18 months and plans no rehiring this year "unless something unforeseeable in the way of a big contract comes about." Somewhere in the middle lies the hard-hit Pennsylvania RR, which after a "horrible" July hopes to call back "several hundred" maintenance workers if an expected August pickup materializes.

• **Ups and Downs**—In similar fashion, there are islands both of distress and of good fortune from coast to coast, varying sometimes by region, sometimes by industry. But over-all the pervading feeling is, like the Pennsy's, one of highly tentative hope.

This atmosphere is apparent in comments such as that from International Resistance Co., a Philadelphia manufacturer of electrical equipment. "Business is definitely picking up," says a spokesman, "judging by orders and in-

quiries. But we still don't have the necessary volume to go all-out recalling people." Among New England employers, "We won't be rehiring, but we're holding our own" sums up the common attitude. Even there, though, a few employees are ending their enforced leaves and returning to work.

The same gradual flow of furloughed workers back to the plant shows up in steel in Buffalo, Birmingham, and some communities of Ohio, electronics in Los Angeles, construction steel in Oregon, and rubber in Akron. Jones & Laughlin Steel has recalled 3,500 workers in the Cleveland area after shutting down completely for repairs and modernization.

• **All Accounted For**—Four Chicago giants—Zenith, Motorola, International Harvester, and Inland Steel—are able to report that almost all the employees laid off earlier are now at work again.

For all the stirrings of hope, there's still considerable softness in the job market. Aircraft, both in Southern California and the South, is holding down on employment. Heavy industry in Oregon is still laying off; so are some major plants along the Gulf Coast. The National Assn. of Machine Tool Builders says none of its members is even contemplating rehiring. And some of the upturn—such as in the container industry, which is putting on speed to fill orders from food canners—is purely seasonal.

II. Who Gets the Job?

As has been the case ever since the slump started, the job market favors skilled and professional personnel.

When jobs open up, employers are being more fastidious than they used to be. It's very much an employers' market, and the vacancies tend to go to applicants with the best qualifications. "The orders we get now," says an official of the Texas Employment Service, "are for the best possible people. The stores are not willing to accept mediocre people." But the same man noted a "tendency to hire younger people and pay them less."

• **Seniority Counts**—Among production workers, though, it's seniority that makes the difference when the recall sounds. "They come back the way they went out," says a New England businessman. A Nashville bridge manufacturer acknowledges that it's "only right" for unions to be "sticklers for rehiring on a seniority basis," in order to protect retirement benefits of older employees.

Still, a Los Angeles maker of auto accessories finds it's now possible to sit down with the union and discuss which of two men with equal seniority is better qualified for an opening.

Fed Tries

Soaring stock market prices (chart, right) inspired the Fed to increase margin requirements as a check on inflation.

The stock market this week got a rude jolt that threatened to arrest its climb to new altitudes. The Federal Reserve Board, alarmed at the heady pace at which stock prices are climbing, raised margin requirements to 70%. Since last January, the level had been 50%.

This means that a man who buys stocks on credit can now borrow only 30% of the price instead of half.

It was the first increase in margins since April, 1955, when the Fed made a similar move for a similar purpose—to try to head off a speculative bull rally without damaging a business upturn. At that time, the hike was 10%—to 70%—on top of another 10% boost that had been imposed three months earlier without effect on prices.

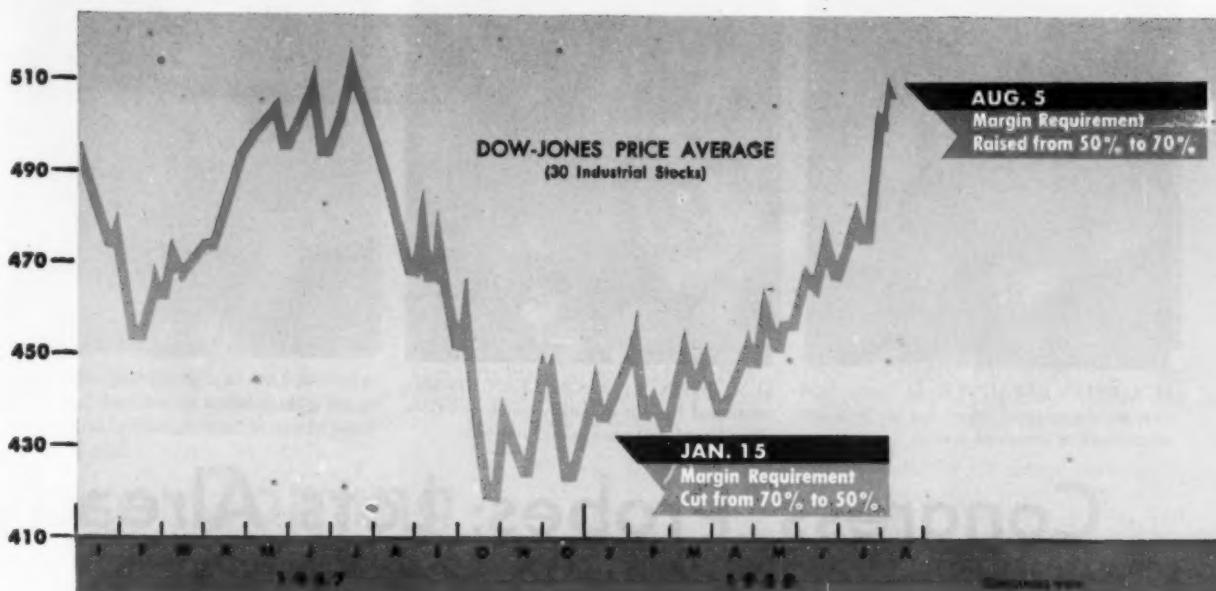
• **Beware Inflation**—Officially, Fed spokesmen say this week's action is aimed at preventing excessive use of speculative credit in the purchase and carrying of securities. At the same time, the Fed is clearly saving it won't tolerate an inflationary binge on Wall Street now—just when the economy is perking up.

From its unusual 20-point upping of margins, it's plain that the Fed is girded to go to all lengths to combat a rampaging market—the one place it can apply direct controls on credit. Fed Chmn. William McC. Martin has often talked in private of his fears of another 1929-type market, because of the psychological impact it would have on the whole economy. If necessary to prevent such a fever, it is now felt the Fed would even raise margins to 100%. Margin requirements have not been that high since the period between January, 1945, and February, 1946, when they helped break the back of a bull market.

• **Lid on Credit**—This time, the Fed is doing more than clamping down on market speculation. It's warning that it won't let credit in general expand unfettered. The boost in margins is the first restriction on credit since the recession was recognized. As such, it shows that the Fed once again thinks inflation is a rising danger—and is ready to reverse its policy of credit ease outside the market, too, if business makes a sudden, dramatic recovery.

However, the Fed does not want to throttle investor interest. The one thing it hopes to avoid is a market letdown just when business could be getting

To Corral the Wall Street Bulls



really good. Basically, this week's action is meant merely to dampen enthusiasm, not drown it. In a way, it supplements the Fed's psychological move of three weeks ago, when it abandoned the much-cherished "bills only" policy in an effort to give confidence to the bond market (BW-Jul. 26 '58, p25). In effect, the money managers are saying they think traders have been too excited about stocks and too pessimistic about bonds. However, the bond market took the Fed's latest announcement as a sign of credit restriction, and bond prices crumbled again this week.

• **Slight Reaction**—It's also doubtful whether the margin move will have the desired impact on Wall Street, but it's bound to jostle it a bit. The action came at the end of three giddy weeks during which the Dow-Jones industrials average soared 34 points, or 7%. Last Monday, a day before the Fed's move, the index climbed 4.90 points, closed at 510.33—only 2.1% below the all-time high of 521.05 registered on Apr. 6, 1956.

Wall Street took the news from the Fed as a bearish omen but not a disastrous one. Prices dropped 3.38 on Tuesday, the first day after, and continued to decline the next day. To be sure, analysts feel the margin increase could induce a further technical correction in stock prices. But they don't think it could force any price decline that would not have developed anyway. This is because changes in margin requirements, once the initial shock wears off, have little long-term effect on a market trend. In the current

market, analysts insist, investors are much too interested in buying stocks as a hedge against inflation to care about a 20% difference in margin requirements.

• **Lessons of History**—In the past, the Fed could count on two results from a hike in margins—lessened trading volume and a decline in brokers' loans to customers. Both were goals again this time because:

- Since the Iraqi revolt, trading has reached 3-million shares every day since July 15, broken 4-million five times up to midweek.

- To feed this stepped-up volume, there has been a sharp increase in the use of borrowed money. Customer credit (loans made by banks for the purpose of carrying securities, plus net debit balances in brokers' accounts) rose from \$3.6-billion in December to \$4.2-billion in June. Moreover, customer debit balances—credit extended by brokers to their customers in margin accounts—surged from \$2.5-billion in December to \$3.2-billion by the end of June. Last year, the same figures slumped \$368-million.

• **Mixed Reception**—As with all stock margin increases, the reaction in Wall Street was open displeasure among many market pros. They say credit outstanding is not high in relation to the number of shares outstanding. Some also argue that odd-lot figures show that small investors have been net sellers of stocks for the past two months.

Many others, though, privately welcome the step.

These men also recognize that the

Fed didn't really clip the market's wings. Stock buyers will have to put 70% down on the price of a share in new purchases and short sales. But a customer can still switch stocks without having to retire the loan he got when the 50% margin was allowed. This is because the Fed didn't tighten the "substitution" rule, which governs margined accounts already outstanding. Such an action would have put a lot more pressure on prices than the simple boost in margins.

• **Safe Dollars**—The market spurt that precipitated the Fed's move stemmed partly from increasing confidence in recovery but mainly from fear of inflation. The demand is all for stocks whose potential earnings appear to guarantee a dollar safe from erosion. Today's investors are neglecting fixed-income securities, and are big buyers of cyclical stocks that could be expected to show much fatter earnings if business really blossoms.

This shift in investor attitude is clear. Stock buyers are shunning those defensive issues—such as food stocks, consumer credit companies, and utilities—which have solid earnings records, and which made big advances in the stock market toward the end of last year. But they are bidding up the prices of growth stocks, which took the heaviest beating in last year's decline.

In their quest for inflation hedges, investors are disregarding danger signals that have often preceded major market breaks—a shrinking gap in stock and bond yields (page 81), high price-earning ratios, a big short interest position.



SEN. ESTES KEFAUVER (D-Tenn.) fired away at administered prices, but his Judiciary subcommittee remained coolish.



SEN. JOHN L. McCLELLAN (D-Ark.) continued his war on shady union practices, often found witnesses would not talk.



REP. JOHN A. BLATNIK (D-Minn.) heads subcommittee that delved into advertising claims of filter cigarettes, tranquilizers.

Congress' Probes: Lots Already,

This week the investigating committees of the 85th Congress:

- Looked at steel price increases for hints of antitrust violations.
- Quizzed James R. Hoffa of the Teamsters union about racketeering.
- Pushed ahead with a dozen or so important investigations of business situations that failed to make headlines—ranging from arms production to the advertising claims of appliance makers.

With an eye to the future, they prepared for new probes into air trip insurance, the miseries of the textile industry, and the most likely location of future troubles such as those now besetting the U.S. in the Middle East.

• **Curious Congress**—This week's activity was only a little livelier than usual. From the day it convened in January, 1957, the 85th has been an investigating Congress. And significantly, from U.S. deficiencies in space knowledge to the plight of the fluorspar producers, the investigating 85th has produced some results:

- Establishing the National Aeronautics & Space Agency—to the missiles and rockets experts the most important law that Congress has voted in recent memory.

- Presenting an outline of standards of morality for union officers that even labor leaders have accepted because the attacks on labor racketeering were not intrinsically anti-labor.

- Disclosing questionable personal ethics on the part of regulatory agencies, and forcing the resignation of one Federal Communications commissioner.

- Giving relief to two hard-pressed businesses at a time when most Washington officials had to admit the indus-

tries were indeed in dire straits—the railroads and domestic mining industry.

It has spent more money for investigations than any other Congress—something close to \$12-million.

- **Not as Policeman**—As always in Congressional investigations, there was a strong policeman-prosecutor flavor in some of the 85th's activities. But for the most part the inquiries dealt with weighty problems of business, defense, the age of space, the Soviet threat. The typical witness was not a suspected Communist, as in years past, or even an Eisenhower appointee accused of wrongdoing. He was more likely to be a Ph.D. in physics.

With Republicans in charge of the executive departments and Democrats in control of Congress, a lot of digging and prying for political effect was inevitable. But the 85th would have been just as busy, in all likelihood, if the GOP had had control.

- **Use of Investigations**—Ever since World War II, Congress has been turning more and more to investigation as a tool of government.

The 85th used investigations both to attack business for some of its practices—notably pricing policies and advertising claims—and to come to the aid of industries in distress, such as mining and railroads.

Other investigations dug into broad economic fields, such as seeking solutions to the problem of inflation in the midst of recession. Congress used others to try to force its will on the executive departments in such areas as defense spending and atomic energy—as usual, with only indifferent success.

- **Political Hay**—Politically, the Democrats who guided the investigations are

well pleased. They believe the record, on the whole, demonstrates the party's ability to live with the Eisenhower Administration on a basis of responsible co-existence. And this, they are convinced, will be a major political asset when the voters go to the polls this November to elect a new Congress.

Investigations also continue to be a powerful factor in building political reputations—and at times destroying them.

Sen. John L. McClellan (D-Ark.) has emerged as something of a symbol of public righteousness due to his televised clashes with witnesses who refused to testify about shady union practices. And the reputation for spotless integrity once held by Sherman Adams, Eisenhower's chief of staff in the White House, was pulled down by an investigation into Executive Dept. influence on the regulatory agencies.

- **Pricing Probe**—On the whole, investigators of the 85th have minded their manners. Even the major attack on business practices—that conducted by Sen. Estes Kefauver (D-Tenn.) and the monopoly subcommittee of the Senate Judiciary Committee—held itself to economic research and expert testimony by industry and government spokesmen. Due in part to vigorous dissents from the GOP minority, headed by Sen. Everett Dirksen (R-Ill.), Kefauver failed to build up Congressional sentiment for his theory that administered pricing policies, as practiced in such industries as steel and autos, violate the antitrust laws.

This week, though, in the wake of a round of increases in steel prices, he found a friendlier audience.

Asst. Atty. Gen. Victor R. Hansen,



REP. OREN HARRIS (D-Ark.) held spotlight in Adams-Goldfine disclosures, was assailed for admitting John Fox testimony.



SEN. GEORGE A. SMATHERS (D-Fla.) brought some help to distressed railroads, after study of their finances.



SEN. LYNDON JOHNSON, Democratic leader, headed subcommittee inquiry into defense requirements in the space age.

More Coming

in charge of antitrust enforcement for the Justice Dept., told the committee that the Administration is concerned "because certain laws of the U.S. may have been violated in effectuating these increases."

He said the Justice Dept., like the committee, is wondering why the new round of increases should be uniform across the industry in a time when operations are well below capacity.

Hansen expressed particular interest in a theory that a series of news announcements in the trade press—in which steel executives commented on the necessity of an increase—might constitute "conspiracy" within the meaning of the antitrust laws. He is considering impaneling a grand jury to assess this line of reasoning.

The turn taken by this week's hearings makes it practically certain that Kefauver will obtain sufficient funds from the 86th Congress next year to continue his investigation into administered prices. Between now and January, he intends to hold hearings on the price of meat and other food products. Next year, he wants to call in the farm equipment industry.

• **Advertising Claims**—Another continuing investigation harassed the advertisers of consumer products. Rep. John A. Blatnik (D-Minn.), chairman of a subcommittee of the House Government Operations Committee, looked into claims made for filter cigarettes, weight-reducing pills, and tranquilizers. Now he's checking up on toothpastes.

Already, the Federal Trade Commission has filed a complaint against the manufacturers of four weight-reducing products, and Blatnik claims the credit.

FTC is also seeking a uniform standard for measuring tar and nicotine content of cigarettes, and Blatnik has filed a bill requiring manufacturers to state the amount of each on every package. He'll probably introduce a similar bill in the next session.

Next year, Blatnik wants to look into the advertising war going on between makers of aspirin and other pain reducers. He also has his staff looking quietly into the advertised prices of household appliances on the theory that these are inflated in order to allow large discounts.

• **New Business Cases**—Four new investigations touching on business are getting started, to operate between now and January:

• Sen. Joseph C. O'Mahoney (D-Wyo.) heads an investigation of FTC charges that the Patent Office erred in issuing a patent to Charles Pfizer & Co. covering some widely used antibiotics (page 32).

• O'Mahoney also began hearings this week into the cost of aviation trip insurance, which may turn out to be the first phase of a broader investigation of the whole insurance field. He suspects that the traveling public is overcharged for flight insurance and that companies may have parceled out the country to avoid competition.

• Sen. John O. Pastore (D-R. I.) heads a subcommittee that is looking into the woes of the textile industry.

• The Senate Interstate & Foreign Commerce Committee is organizing a comprehensive study of all forms of ground transportation. It will look into a system of users' charges to be assessed against common carriers for such facilities as waterways and airways, the

proper policy of the federal government toward proposed railroad mergers, the future of rail passenger service, and whether the whole transportation industry is being harmed by excessive regulation. The committee has \$100,000 to spend and is looking for a staff of top transportation experts and economists.

• **Rails and Mining**—This sympathetic regard for textiles and transportation had a counterpart in two major investigations conducted earlier by the 85th Congress.

In one, Sen. George A. Smathers (D-Fla.) studied the financial troubles of railroads. He then led a successful fight for elimination of the 3% excise on freight and for this month's railroad relief bill (page 34).

The mining industry also got kind treatment from the 85th, partly as the result of a hearing conducted by Sen. James E. Murray (D-Mont.). The program, now being threshed out in conference, calls for an emergency stockpile for copper and price supports for lead, zinc, fluorspar, and tungsten. Interior Secy. Fred Seaton took a leading part in the fight for the legislation, and both parties expect political benefits in the western states this November.

• **Help for Business**—On balance, the 85th probably has more pro-business legislation to its credit than any other Democratic Congress in years. This was largely due to the recession and to fears of both parties that the dip might turn into a major depression. These fears also showed themselves in several broad, research studies made by the Joint Economic Committee. Mostly, though, Congress seemed more worried about inflation than about recession.

• **Policy Initiative**—Like every Congress in time of national stress, the 85th had ambitions to seize policy-making leadership in key areas from the Executive branch. True to form, it turned

to investigations as the chief means of impressing its will on the White House.

Sen. Lyndon B. Johnson (D-Tex.), leader of his party in the Senate, personally headed a broad inquiry into defense requirements for the new age of space.

Many of the subcommittee's recommendations have been accepted—Pentagon reorganization, for example, and a speed-up of research. The Senate, under Johnson's prodding, voted some \$1.4-billion more spending for defense than the House had approved, and a compromise is being worked out in conference.

• **Procurement**—Rep. F. Edward Hebert (D-La.), chairman of the House Armed Services subcommittee for special investigations, avoided broad questions of strategy, concentrating instead on the nuts and bolts of arms production. He has looked at the profits of aircraft engine makers and has criticized contracting officers in the Pentagon for agreeing to overly liberal prices. He now has five separate probes into aspects of arms purchasing; the subjects are a closely guarded secret.

Hebert is also exploring what may grow into a major investigation in the 86th Congress: the policy of weapons system management under which the Pentagon assigns responsibility to the prime contractor, with a minimum of government supervision.

The Pentagon itself is examining this procedure, and new limits are being clamped on the powers of the prime contractors. Some officials feel that costs are running far above original estimates partly because the armed services have abdicated control.

• **Foreign Policy**—In foreign affairs, the 85th conducted two basic investigations that wound up influencing members of Congress and, to some extent, the Administration.

The Senate Foreign Relations Committee last year contracted with universities, foundations, and private citizens for a series of independent studies of foreign aid. The findings strengthened pro-aid forces in Congress, and some of the key recommendations were adopted by the Administration.

Rep. Hale Boggs (D-La.) headed a broad-scale study of foreign trade that is largely credited with saving the Reciprocal Trade Agreements Act from protectionist attacks. He, too, depended largely on the testimony of acknowledged experts.

• **Expert Advice**—The Senate is so pleased with the outside-expert technique that it is being used in two new studies:

• Sen. J. William Fulbright (D-Ark.) and Sen. Bourke Hickenlooper (R-Iowa) are sponsoring an inquiry into possible areas of future international

tension, what our national interests are in each area, and what our policies should be. The purpose is to avoid backing the wrong horse, as they feel we have done in the Mideast when we put our faith in kings and were caught opposing Arab nationalism. The Senate has voted \$300,000 for the study, which will take two years.

• A similar study will be made of Latin America, also by the Senate Foreign Relations Committee. This

inquiry stems from the attacks on Vice-Pres. Richard M. Nixon in Peru and Venezuela.

Congress may take another step into supervision of foreign affairs next year. Sen. Mike Mansfield (D-Mont.) believes a watchdog committee should be established to keep a constant check on the super-secret Central Intelligence Agency. He blames CIA for not having advance warning of last month's military coup in Iraq.

Steel Hikes Come Fast

Major producers follow Armco's lead, raising the average price to about \$122.76 a ton. The industry's concerted action is causing some rumbles among antitrust.

After much scurrying among steel producers, the industry this week had just about finished posting price increases for more than 85% of all steel products. The average hike is about \$4.50 a ton. The Iron Age composite steel price, which represents a rough average of all products, rose to \$122.76 a ton.

Aluminum prices also went up during the week. The list price for aluminum ingot advanced from 24¢ to 24.7¢ per lb., with commensurate increases on aluminum products. In the aluminum industry, the price pattern was consistent with past practice. Aluminum Co. of America, traditional pace-setter, was first to announce a boost. Soon after, Kaiser Aluminum & Chemical Corp. and Reynolds Metals Co. followed suit.

• **Across the Board**—In steel, the rise came in a way that was anything but traditional. The move that started the ball rolling was not made by U.S. Steel Corp. but by Armco Steel Corp. (BW—Aug. 25, p. 25). The rest of the industry followed Armco's lead with a speed that surprised many observers. Seven days after Armco's move, enough major steel producers had boosted the prices of enough products to make the action virtually an industrywide across-the-board increase. Some steel product prices on items such as stainless, rails, and tin mill products have not yet been raised, but they almost surely will be soon. However, these products amount to less than 15% of the steel market (based on tonnage shipped).

Two immediate results:

• The steel industry starts covering most of the direct costs of a July 1 wage increase, amounting to upwards of 20¢ an hour.

• Threats of antitrust action loomed in Washington.

• **Timetable**—Armco teed off July 29, with an announcement of price in-

creases for its carbon steel hot- and cold-rolled sheet and strip products—bread-and-butter items of the industry. Within 24 hours, three other major producers followed. On the second day, U.S. Steel Corp. and Bethlehem Steel Co. clinched the rise with new price lists.

Three days after Armco's move, Republic Steel Corp. hiked prices on a second group of products—bars, pipe, wire, billets, and slabs. Most producers followed suit, including U.S. Steel—which again broke tradition by being the last major producer to second the motion.

Four days later Bethlehem Steel opened a third set of changes when it posted increases on plates and structural. U.S. Steel again had relinquished the lead.

• **To Come**—At midweek, stainless steel remained unchanged, although it was believed to be only a matter of time before stainless prices would be boosted.

Rails and tin mill product prices were not raised either, but for different reasons. With rails, the answer is demand—low for more than a year.

Tin plate, used by the canning industry for containers, is covered by a special pricing policy under which any producer of tin-coated steel must give 35 days' notice of price action. At midweek, no such notice had been reported.

• **Antitrust Action**—Meanwhile, a few congressmen in Washington, led by Sen. Estes Kefauver, were demanding rollbacks, and dropping hints of possible antitrust action. Steelmen privately say they are not at all frightened. One steel company president says, "it [antitrust threat] doesn't scare me a bit. There's no violation that I know anything about, of any statute. This modest price advantage is just our way of handling a washed transaction [the last wage increase]."

Hoffa Up for Last Round

McClellan committee now claims it has enough evidence of racketeering and corruption to smash Teamsters' president.

This week, the forces that so far have failed to halt the career of James Riddle Hoffa converged in an all-out drive to end his short reign as president of the International Brotherhood of Teamsters.

The battle lines up Jimmy Hoffa on one side against Congress and the top command of AFL-CIO on the other. Hoffa—No. 1 target of the anti-racketeering drive—won a series of earlier skirmishes aimed at removing him as boss of the biggest and one of the most powerful unions in the U.S.

At stake are the interests of other unions and employers who are affected by the powerful Teamsters' inclination toward peace or warfare. One example is Hoffa's proposed national alliance of all transportation unions.

Involved in the outcome is the overall campaign for labor reforms. The new revelations about Hoffa may be enough to shake free the proposed Kennedy-Levi bill regulating union practices and financial controls.

• **New Ammunition**—The fight may last two or six weeks, but it's to a final decision on ousting Hoffa as top dog of the powerful 1.5-million-member trucking union.

The McClellan investigators claim that Hoffa escaped last time because the investigation was incomplete. This time, they think they have enough to smash him—as they did his predecessor, Dave Beck. Sen. McClellan and his staff have evidence from a year's digging into Teamsters' doings—evidence that points to bribery and extortion, gangster tie-ups, financial manipulations, pocketing of union funds and using them for outside business projects.

• **Three-way Pressure**—Actually, Hoffa is being pressured from three directions:

• There are the hearings of the Senate Select Committee devoted exclusively to Hoffa.

• AFL-CIO Pres. George Meany, who forced the Teamsters ouster from the federation, is renewing his efforts to isolate the Teamsters from the rest of labor.

• The Board of Monitors set up by a federal court to oversee Teamsters' operations reported some progress, but promised to get tough if Hoffa resists its cleanup recommendations.

• **The Battle Opens**—Last Tuesday at 10:30 A.M., James Hoffa swung



James R. Hoffa

jauntily through the large double doors of the Senate caucus room, and grinned at the spectators jamming the room. This was the familiar Hoffa who had survived three court trials and the public condemnation of AFL-CIO leaders. But it was soon apparent that this time Hoffa is feeling the pressure. He was snappish with the committee from the start.

The hearings opened just after Frank Kierdorf, a Teamsters business agent in Detroit, claimed he had been critically burned in a bit of Teamster-type inter-union warfare. But at midweek, Detroit police suspected that Kierdorf was the victim of an accident, rather than an attack.

Kierdorf, on Hoffa's payroll, pleaded the Fifth Amendment last year before the McClellan committee, when asked whether he had extorted money from Detroit employers. His uncle, Herman Kierdorf, also working for Hoffa, took the same position on the same subject before the McClellan group last week.

These were only two of the names of Detroit racketeers that Robert F. Kennedy, committee counsel, repeatedly threw at Hoffa. The first name—Joe Holtzman—was the most important in the early phases of the hearings. The committee heard from a series of laundries in the Detroit Laundry Assn. that to avoid a strike they paid \$17,500 to Joe Holtzman, a labor relations adviser "close to Hoffa." Hoffa admitted

knowing Holtzman. He also admitted that he had borrowed \$10,000 in cash from Holtzman and his partner. Hoffa claims that he paid back the loan, but there are no records. Holtzman has since died, and the partner took the Fifth Amendment when questioned. Several laundry owners testified that they had received threats before coming to Washington to testify.

• **AFL-CIO Campaign**—While the committee jabbed at Hoffa, AFL-CIO Pres. George Meany prepared to force his own showdown with AFL-CIO unions still dealing with the Teamsters. Since the Teamsters' expulsion, Hoffa has expanded the number to nearly a dozen. At the executive committee meeting Aug. 18, Meany may try to get AFL-CIO affiliates to break away from the Teamsters.

Many of the alliances are simply practical business arrangements for the unions. The Retail Clerks, for instance, couldn't settle a strike with Sears, Roebuck until they joined forces with the giant Teamsters. The Office Employees Union has been making no organizing headway, but the Teamsters promise help.

Hoffa hopes these activities will help diminish AFL-CIO opposition to his union's return to the federation. But Meany says there will be no return so long as Hoffa heads the union.

• **The Monitors**—A 200-page report by the three-man Board of Monitors was the first official word on how the board sees the trucking union coming along. The monitors were appointed by a federal court to oversee Teamsters internal practices after a Teamsters' rank-and-file case against Hoffa's election to the presidency was dropped.

The report, issued by Martin F. O'Donoghue, Godfrey Schmidt, and L. N. D. Wells, deals with release of a number of Teamsters locals from trusteeship; an auditing company's report on Teamsters record keeping on handling grievances; and a follow-up of some McClellan committee revelations.

• **Slow Response**—The Monitors say the Teamsters are following most of their orders, but they indicate that they are impatient with the union's slow response to their recommendations. The monitors "have heard" that the Teamsters plan a convention next February, although the official convention is not scheduled until 1962. Under the court orders, the Teamsters can be free of monitor supervision once they hold a convention and elect a president again.

The monitors say this would be too soon for the cleanup program to take effect. First, the union must adopt model bylaws, a reporting system between locals and the international, release of locals under trusteeship, and amend the constitution.

FTC Hales In Drug Makers

Five manufacturers of broad-spectrum antibiotics are charged with manipulating patents and with conspiring to maintain prices and limit competition.

This week, five manufacturers of broad-spectrum antibiotics—makers of such wonder-workers as Aureomycin, Chloromycetin, Terramycin, and the tetracyclines marketed under a variety of names are reeling from one of the sharpest blows the Federal Trade Commission has ever directed at the drug industry.

The commission came out with a 350-page economic report, then coupled it with a really rough set of antitrust charges.

FTC said that the companies—after a lot of wrangling over patent rights on broad-spectrum antibiotics—eventually got together to deceive the Patent Office into issuing a patent, then rallied around the patent as a device to keep prices up and competitors out of the market.

Here's the heart of the FTC charges:

- That Chas. Pfizer & Co., American Cyanamid Co., Bristol-Myers Co., Olin Mathieson Chemical Corp., and Upjohn Co.—which have 80% of sales of the broad-spectrum antibiotics—all conspired to maintain prices and limit competition.

- That Pfizer falsified information to get a patent on a key product, chemically called tetracycline.

- That Bristol-Myers (including a corporate subsidiary, Bristol Laboratories, Inc.) and Cyanamid joined with Pfizer in withholding pertinent information from patent officials.

- That Bristol-Myers, Olin Mathieson, and Upjohn took licenses from Pfizer on tetracycline, knowing that information was withheld from the patent proceedings, and that there was no valid invention in Pfizer's claims for its patent.

- **Findings**—FTC's legal complaint and its economic report spell out the swift development of antibiotics and winds up detailing the inter-industry dogfight for patent position.

The economic report also presents FTC's finding that up to 1956 (the period covered by FTC), the companies were still charging for their products what they charged back in 1951. Consumers were paying \$8.10 for 16 250-milligram capsules while retailers paid \$5.10. On the other hand, the armed services—the only customer FTC finds benefiting from price reductions since 1951—were paying about \$1.76.

- **Distinction**—The commission makes a sharp distinction between the industry's practices during the 1951-'56 period

and prior to that time. In general, it finds that during the war, 20 companies undertook to make unpatented penicillin, and that postwar anywhere from 8 to 13 companies were licensed to make such successors to penicillin as Streptomycin, Dihydrostreptomycin, and procaine penicillin. During this period, FTC finds, output of these drugs multiplied and "spectacular cost reductions set the stage" for equally spectacular price cuts. Bulk prices, in fact, dropped "99%" from their introductory price.

Then, says FTC, began the scramble for new antibiotics that could be patented and insulated from price competition.

- **Patent Settlements**—FTC's rundown of the closing rounds of such patent settlements goes like this:

- Bristol recognized a Pfizer patent on tetracycline, and licensed Pfizer to use a process patent that Bristol had on fermentation of the product.

- Cyanamid agreed to recognize Pfizer's patent—if it should finally be issued by the Patent Office—and Pfizer in exchange agreed to pay royalties to Cyanamid on an intermediate drug needed to make tetracycline.

- Bristol agreed to pay Cyanamid a royalty on its sales of tetracycline in exchange for Cyanamid dropping a suit.

- In settling suits and countersuits, Pfizer licensed Olin Mathieson and Upjohn to continue repackaging and selling tetracycline, which they had been buying in bulk from Bristol.

When the legal tangle finally unwound in this fashion, says FTC, "the manufacture of tetracycline was restricted to the three companies which had made applications on the product and its sale to these and two others."

- **Postwar Jackpot**—By this time, antibiotics were clearly established as one of the postwar jackpots for companies on the ground floor: Their sales volume equals manufacturers' sales of all non-prescription medicines combined, and they account for 13% of all prescriptions written, more than any other class of drugs.

The companies deny FTC's charges and promise to fight to the last ditch.

Obviously, the drug companies find themselves in much the same boat as they did with Salk vaccine: They're praised and courted by government officials and others during the period of discovering, developing, testing and

early marketing of new drugs—but suspected of collusion and dirty dealing when the products become in good supply.

- **Side Issues**—Aside from FTC's charges and getting their side of the case to the public, the companies have something else to worry about. The antitrust lawyers of the Justice Dept. say they may well come up with suits of their own, since they see angles that neither FTC nor the Patent Office can cover.

In fact, the Justice Dept. could file its own price-fixing and monopoly suit, seeking fines and criminal penalties; all FTC can seek is a "cease and desist" order against the companies.

New Try for S-P

Studebaker-Packard is ready to put itself in Malcolm Sonnabend's hands to end its financial misery.

After more than five months of highly secret conversations, money-losing Studebaker-Packard Corp. last week admitted that it has been negotiating with Malcolm Sonnabend, real estate operator, hotel man, and industrialist. Object of the talks: a program of acquisitions and diversification—directed by Sonnabend—for the ailing auto maker.

A firm deal won't be forthcoming for another week or two. But Sonnabend, who had made a reputation and a fortune as a quick-footed operator and doctor of sick companies (BW-Jun.14'58,p81), says he expects to set up a program "very similar to the one we did for Botany Mills." If the program works out, S-P probably still will be in the auto business—it plans a new car for 1959—but you can also expect to find it in a dozen other businesses.

- **Tax Bait**—To attract profitable subsidiaries, Studebaker-Packard can use its tax loss umbrella as bait. Sonnabend says he expects the tax loss carry-forward for S-P to climb as high as \$130-million by the end of the year. Even assuming that S-P's new small car, somewhere between European cars and current Fords and Chevrolets in size, proves profitable, he says company officials would not expect net income from the auto business to be more than \$10-million to \$15-million. That would leave a lot of tax credit that could be applied to other operations. But first a series of complicated problems have to be worked out.

- **The Hurdles**—For one thing the company is working on a recapitalization plan, whereby a substantial portion of its \$55-million debt to banks and insurance companies would be

canceled by converting to preferred stock.

Then, a three-year management contract with Curtiss-Wright Corp., which has some 14 months to run, will have to be terminated. And Curtiss-Wright option on 5-million shares of S-P stock would need to be eliminated.

Finally, a Curtiss-Wright-initiated deal whereby S-P sold Mercedes-Benz cars in the U.S. has to be renegotiated. The franchise is held by a company owned by Curtiss-Wright and Daimler-Benz, and S-P would have to buy it.

Once these things are accomplished S-P will hit the acquisition market. If all goes well, it will turn into a profitable auto company with profitable sidelines. At worst, if the auto business doesn't pan out, it will gradually become a diversified holding company.

• **Compensation**—It is fair to assume, Sonnabend says, that he will receive his compensation from stock options. He always does. That's the way it is at Hotel Corp. of America, Botany, and Consolidated Retail Stores, which Sonnabend revived. The options at S-P probably will be quite sizable. "But then," says Sonnabend, "it's a big job."

• **Botany Program**—You get an idea of how Sonnabend brings a sinking company back to financial health from his operations at Botany Mills. That old-line woolen and worsted producer of Passaic, N.J., had piled up a cumulative loss of \$18-million when Sonnabend took over late in 1954.

His first remedial step was drastic. To cut losses, he took the company out of the wool business. Machinery and equipment were sold off. He leased the company's plant to other manufacturers. Then, using the tax loss umbrella as an inducement, he picked up 12 companies in almost as many fields without laying out a penny.

The Sonnabend formula: Pay a stiff premium to acquire healthy companies, but don't use your own cash and tie final payments to the subsidiaries profits for the next five years. To do this, Sonnabend would pay for a closely held company with Botany stock, plus a promise of 75% of the company's net profits for the next five years, up to a certain amount. Original owners would continue to manage the company.

• **Restored to Health**—Although parent company Botany got only a quarter of the profits from each subsidiary, it did so with little effort. It is paying for its acquisitions out of their earnings and making a little profit besides. Each company remains a separate entity that stands on its own feet. No one company can drain the whole structure if it doesn't do well.

Botany last year reported a net income of \$8-million on sales of \$97-million. The job at Studebaker-Packard will be similar, but of far greater magnitude.

To Attract Industry, Buy It

That's what the city of Deming, N.M., did last week.

It bought two California tool companies and is moving them to a new home. It's the first use of 1955 state law.

Deming, N.M. (pop. 7,500) counts on farming and tourism to support its economy. But in the last 15 years it has had a couple of tastes of more lavish income—an Air Force base during the war and a shell factory during Korea—and it has been looking for a stable industry to perpetuate this kind of added income.

Last week, Deming clinched its first new manufacturing business, by the most direct method possible—it bought the business and is moving it from California.

This is the first deal signed and sealed under a 1955 New Mexico law that permits municipalities to own, but not to operate, going concerns that they locate within 15 mi. of the city. Las Vegas had hoped to be first with two small California makers of clothing last spring, but that deal fell through.

• **Small Start**—The city of Deming bought the Tilden Tool Mfg. Co. and the Rocket Drill Co. of San Clemente, Calif.—two partnerships headed by Carl Tilden. They have annual sales of more than \$600,000; they employ about 50 workers, most of whom are expected to move to Deming with the plant.

For New Mexico's plan of attracting industry by buying and uprooting it, this is only a small start. For Deming, too, it's only a beginning. This purchase sops up only \$1.9-million of the city's \$15-million bonding power for this purpose. But the city and R. J. Hodson, local businessman who did a lot to push the legislation and the project, are negotiating with several other companies in Ohio and California.

Hodson and his Hosdreg Co., Inc., which has the contract to operate Deming's new business, also have contracts with Las Vegas, Belen, and Columbus, three other New Mexico cities that want similar deals. Although its first effort flopped, Las Vegas is in a strong position to offer industrial sites. Its Chamber of Commerce owns 68 acres of an old Army base 2 mi. from town, complete with 35 or 40 brick buildings, streets, and utilities.

• **Groundwork**—Hodson shut down his Hosdreg Co. in Indiana in 1945 and moved to Deming for the sake of his son's health. He saw the economic collapse after the Air Force base closed. When the Korean war broke out, he reactivated Hosdreg, got a contract to

make artillery shells, and employed 250 workers while the job lasted.

After that, Hodson tried to develop civilian products but found he couldn't raise enough capital to grow adequately. That's when he and other businessmen and city officials began pushing the 1955 legislation.

The 1955 act permits municipalities to own manufacturing, processing, warehousing, distributing, or selling businesses and to finance the purchases through industrial revenue bonds outside the municipal debt limits. These bonds are self-liquidating, principal and interest coming from the revenues of the city-owned companies.

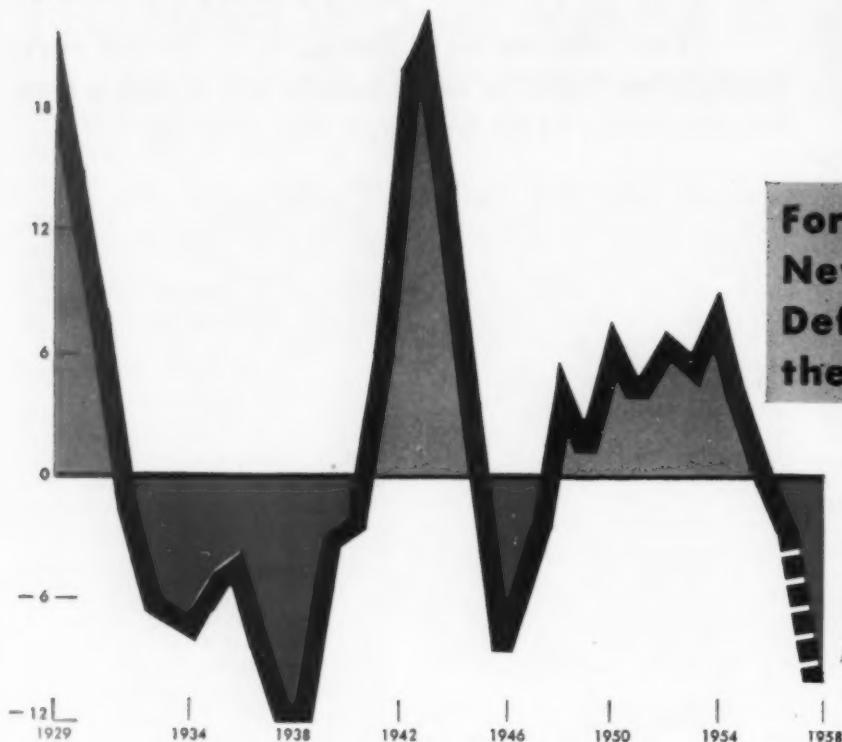
• **How It Worked**—Hodson heard of the Tilden enterprises through a friend of Tilden's accountant, Robert B. Krost. Krost says Tilden wasn't thinking of selling his business, which is well established in the construction trade, but that the city of Deming's offer was "too good to turn down." Here's how it works out:

Deming issued \$1.9-million of 30-year bonds. Hosdreg's 34,000-sq. ft. plant and its land were acquired for \$104,000; miscellaneous costs came to \$69,000. Tilden and his partners received \$940,000 in bonds for Tilden Tool and \$240,000 worth for Rocket Drill. The remaining \$547,000 worth of bonds have been deposited with the trustees as a reserve, for expansion of the business or to acquire another business to round it out.

The purchased companies were then incorporated in New Mexico, and Hosdreg Co. got a contract to operate them under lease from the city. Carl Tilden has a management contract to run the two companies.

Hosdreg pays the city a rental sufficient to cover bond redemptions, interest, and a minimum reserve of two years' payments on principal. Krost estimates this will take up about 90% of the companies' earnings in the first 10 years, less after that.

The payment to the Tilden partners spreads their capital gains over a 30-year period, and their receipts of interest from the city bonds are tax-exempt. This interest runs at 9%. Meanwhile, Hosdreg expects to gain a profit from the net of the companies after lease payments (its profits are subject, of course, to corporate taxes), while the city of Deming gains a new employer and a brand-new source of income.



Data: Standard & Poor's, Mundy's Earnings Power of Railroads BUSINESS WEEK Estimate.

**For the
New Haven
Deficits Like
the Thirties Again**

©BUSINESS WEEK

Congress to the Rails' Rescue

This week may well prove, in perspective, to be the most important week in railroad history in the last few decades. If not a real turning point in railway fortunes, it is at least a reprieve for such hard-pressed lines as the New Haven (chart).

In Washington, an act of Congress reached the President's desk, offering relief that the railroads have vainly sought for years: more freedom to set freight rates and passenger fares, a more sympathetic treatment of their pleas to reduce or abandon service on unprofitable lines, and government-guaranteed loans for equipment and maintenance.

In Boston, the Massachusetts legislature is wrapping up a \$900,000 subsidy for the New Haven's Old Colony division (BW-Jul.12'58,p28). This case may be unique—the New Haven had more freedom than most lines to cut out service under its 1947 reorganization plan—but it suggests the pattern of public support for commuter service that Congress has made possible.

• **Crisis on Roads**—For years, the railroads have been warning Congress and the Interstate Commerce Commission that they can no longer operate soundly under present rules. Their warnings of

imminent bankruptcy failed to impress the rule-makers until this summer, when the trend of statistics took a dramatic turn for the worse.

The bill passed by Congress provides \$500-million in government-backed loans for maintenance and the purchase of new equipment by the railroads. It also:

- Directs ICC, in rate-making, to be more liberal in granting railroad requests, with less regard to effects on other modes of transportation, notably trucking.

- Gives ICC the right to overrule state agencies with respect to railroad petitions for the right to reduce or abandon money-losing service and in setting rates to follow interstate rates rather than those set by the states.

- Tightens controls over truckers who claim to be private carriers, outside ICC jurisdiction, and over farm products that are hauled outside ICC controls.

- **Commuter Service**—Under the new law, ICC has power to overrule state authorities even on intrastate rail or ferry service. Original jurisdiction remains with the states, but the roads can petition ICC on appeal.

The new rules say ICC may allow passenger service to be reduced or discontinued if "present or future public convenience and necessity permit" and existing service constitutes "an unjust and undue burden" on the road. Railroaders who worked for the bill say no drastic cuts in commuter service in New York or other large metropolitan areas are intended. The new law, they say, is meant to press local communities to shoulder greater responsibility for commuter costs, whether by direct subsidy, tax concessions, or outright public ownership of commuter facilities.

I. New Haven's Plight

The state and federal actions come none too soon for the New Haven, a prime example of the Eastern railroads' troubles these days in both freight and passenger service.

Pres. George Alpert denies any suggestion that his company is on the verge of receivership. "The New Haven is not and will not be bankrupt," he fumed when some members of a special Massachusetts railroad commission predicted such a fate for the road in the next few months. "I won't even be a



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party to discussion of it," he told a BUSINESS WEEK reporter last week.

But he agrees the New Haven has problems—particularly its passenger losses, which topped \$15-million last year, according to an ICC formula that many people regard as overstating the case. In good years, freight revenue has made up this deficit; in a bad year like this, losses pile up.

• **Special Ills**—The New Haven has an unusual concentration of problems. Its main line is short—not much more than 200 mi. between New York and Boston. It has commuter service at both ends, originates virtually no shipments of raw materials in bulk, and is paralleled by a growing chain of turnpikes that facilitate trucking of the area's industrial products.

Nevertheless, Alpert expresses optimism for the longer future.

"If we could haul last year's freight with this year's tight control over costs," he reasons, "and if we could slash the passenger deficit, we would be a valuable and profitable property. Why, eventually we could even start paying a common dividend."

This goal is close to his heart. In 1954, he bought 7,800 shares of common at an average of about \$27. This week, the price is around \$8.

• **Growing Losses**—The short-term picture looks black, splashed with red ink. In first-half 1957, the New Haven ran up a \$194,905 deficit; in the first half of this year, \$4,962,496. In June alone, the loss came to \$523,716, compared with \$45,650 a year earlier. July could prove worse, with plant shutdowns and with five paydays in the month.

The all-important item of cash, which totaled \$9.2-million at year-end, was down to \$5.2-million on June 30.

II. Way to Run Railroad

Even with improving business conditions and new government help, New Haven management must wrestle with the everyday problem: How do you run a railroad that's losing money?

Most concerned with the problem are Alpert, A. Gerdes Kuhbach, vice-president finance, and Charles C. Shannon, vice-president operations, who came in January from the Chicago & North Western Ry.

• **Prudent Buying**—"Our immediate concern," says Shannon, "is always to generate cash. And the first step in doing this is to avoid paying it out wherever possible. No one, for example, is allowed to purchase anything costing more than \$50, except fuel oil, without first getting my permission. This has slowed down buying."

"Another rule we have around here is that no one buys parts without making sure they can't be found somewhere else on the railroad. We built our own

car washer last month from spare bits and pieces that had been stored at different points along the line."

• **Cutting Payroll**—The New Haven is cutting even more spending, however, by reducing its payroll. "When I became president 24 years ago," says Alpert, "the railroad was thoroughly overpopulated. We've laid off approximately 5,000 employees, down to 12,849, for a payroll saving of \$25-million, without substantially affecting service except, of course, for a certain amount of deferred maintenance."

The ax has fallen on management and clerical people as well as hourly paid workers, through changes to put more responsibility on people out on the line. Shannon estimates a saving of \$600,000 in staff payroll and other headquarters costs since January.

• **Maintenance**—Shannon insists he isn't skimping on important maintenance, though passengers have been complaining about dirty cars and a growing roughness in the roadbed, which used to be one of the country's smoothest.

"What we have cut out," says Shannon, "are the frills. We're paying more attention to the wheels and couplers of our passenger cars and less to whether they're clean and painted. The vital parts of our locomotives are being fully maintained, but the outsides are being painted only when rust develops and it would be more expensive in the long run not to paint. Our track ballast isn't as clean and new as I would like to have it, weeds and bushes are growing closer to the tracks than I would prefer, and most tie replacement has been only on key ties directly under rail joints."

• **Faster Service**—While the New Haven has been pruning expenses to stay alive, it has been improving some of its service for the same reason. Sometimes the two go hand in hand.

On the New York-Boston run, for example, freight trains were often shuffled and inspected at least twice in little more than 200 mi., largely because it was always done that way. Now, train classification and its personnel and switch engines are centered in one huge yard outside New Haven, a yard that formerly worked at 40% of capacity.

There used to be 32 maintenance points for diesels; now the road is concentrating all locomotive and car repair work at New Haven. Excess tools and buildings are being sold.

• **Cashing In**—Besides cutting costs, these shutdowns and sales of real estate and equipment build up the road's cash. In fact, one official confides that he doesn't see how the New Haven could go bankrupt. "We've got too much we can sell," he says.

These unneeded assets include

rolling stock. Last week, part of an idle fleet of 200 special piggyback flatcars started moving to the Midwest under a sublease. Alpert's predecessor, Patrick B. McGinnis, had contracted to lease 240 cars at \$2.78 each per day for 15 years. Only 40 have been in use, and the stored fleet has cost the road \$250,000 a year.

• **Stretching the Debt**—While Shannon scours the system for ways to save and ways to turn overcapacity into cash, Kuhbach labors over the books and in Wall Street. His problem: The New Haven cannot meet all its obligations exactly as they come due.

So far, creditors have been cooperative. In 1957, maturities amounted to \$11.5-million but, by stretching out its debt, the road actually paid out only a little above \$8.1-million.

A typical example of Kuhbach's work involved payment on the \$16-million flood repair loan, 90% of which is guaranteed by the government. When a \$1-million payment came due last December, the road feared to cut its cash level that much when carloadings were already declining. So Kuhbach persuaded the banks to take 10 monthly payments of \$100,000. He hopes to make the same kind of deal next December.

III. Legislative Help

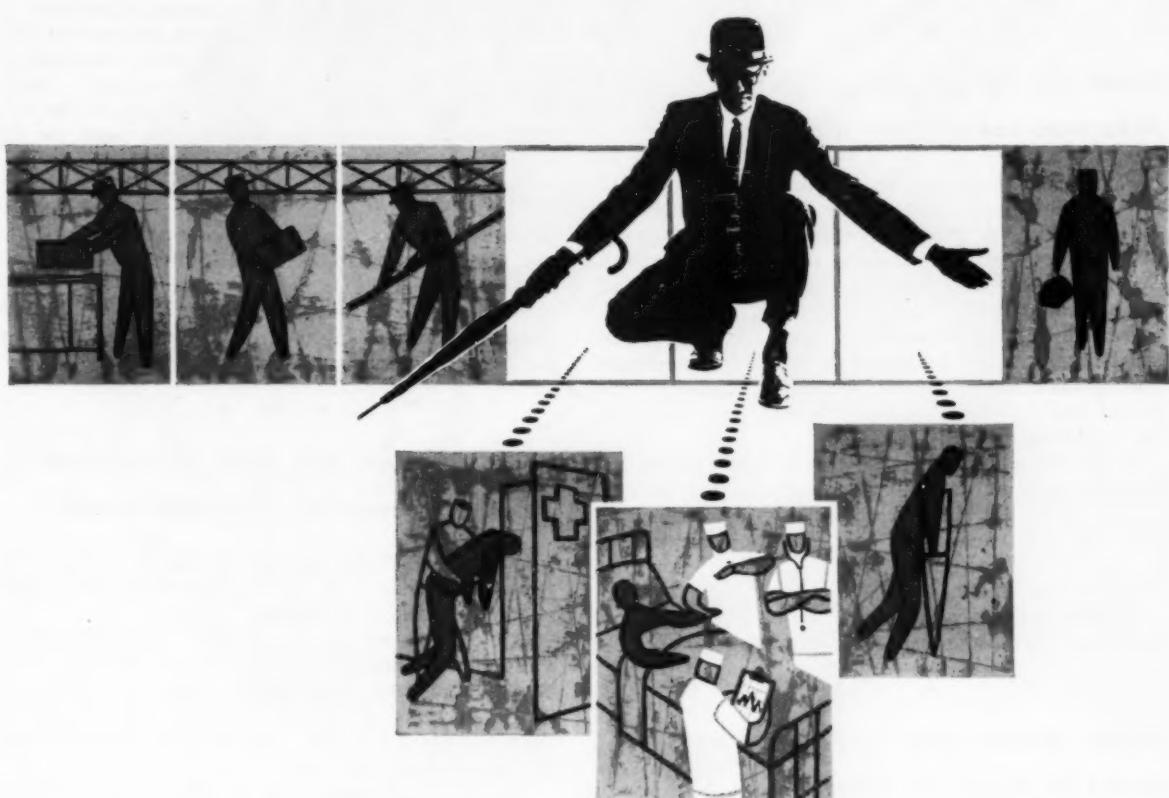
What can a railroad like the New Haven hope to gain from the week's legislation?

"The New Haven plans," Alpert said this week, "to apply for loans for capital improvement and equipment, primarily in connection with our program to consolidate shops and thus reduce the cost of our operations. As far as loans for maintenance are concerned, we regard this provision more as a cushion than as one for immediate action by us."

As for the passenger deficit, legislation in both Washington and Boston follows the line that Alpert laid out in a meeting with local government and business leaders in Quincy, Mass., more than a year ago (BW—May 25 '57, p. 46). It goes a long step toward accepting his thesis that a commuter operation is a public service and must be supported by the public through higher fares, tax relief, or subsidies ("public service payments" is the phrase he prefers).

He made his point with the Old Colony case. When the legislature failed to meet his terms for the \$900,000 subsidy, the New Haven shut down the line for a day last month and frightened the legislature into adopting, for one year at least, the country's first direct regional aid for commuter service. Boston is scheduled to pay \$225,000, and 37 other communities, with 10,000 commuters, will split the rest.

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In Business

Genet Out at Greyhound Corp.; Ackerman Takes Over Top Post

Rumors of dissension at Greyhound Corp. turned into fact this week when Arthur S. Genet, the 49-year old president, resigned halfway through a five-year, \$90,000-a-year contract. He was replaced by Frederick W. Ackerman, 63, a longtime operating executive of the bus company.

Officially, Genet resigned to devote more time to personal interests. But he had been under intra-company fire for some time as his drastic cuts of high-level personnel and his expansion into non-bus fields failed to boost earnings.

Sources close to the company blame bad weather, the recession, and unexpectedly high losses on the car-renting service for the dip in earnings, 17¢ a share in first-half 1958, compared with 26¢ in the year-before period. For all of 1957, earnings were \$1.22 a share, down 5¢ from the year before.

Ackerman, the new president, is only a little over a year away from the company's retirement age of 65.

Higher Airline Fares to Pay for Jets Urged in Report to Eisenhower

Airlines clamoring for higher fares to help pay their admission to the jet age got their first high-level government encouragement this week. Gen. E. R. Quesada presented to Pres. Eisenhower a report—prepared for Quesada by Dr. Paul W. Cherington of the Harvard Business School—which says that only improved earnings could get the airlines the financing they need for an over-all \$4-billion program.

As a major step, Quesada urged reduced fares for some classes of service, and reduction or elimination of discounts. He also plugged for greater operating efficiency and for promotion of travel at off-peak periods.

The Civil Aeronautics Board is now considering requested fare boosts, but Quesada feels that next spring, when a decision is expected, may be too late, and implies that an interim raise may be needed. Now the airlines hope that Quesada's report may bring an indirect White House nudge to the independent CAB, which alone can grant the increases.

Cancer Pact May Set Patent Pattern For Drugs Developed With U.S. Help

Drug Makers and the Health, Education & Welfare Dept. have agreed on a policy covering the patenting of any anti-cancer drugs that may be developed with the aid

of government funds. The policy is likely to be extended to any drugs that may emerge from the government's \$295-million program for medical research.

Under the anti-cancer drug agreement, a company can patent and sell a drug developed with government help. The Surgeon General can license other companies to produce the drug only if—after 90-days notice, formal hearings, and consultation with outside experts—he finds that the developer of the drug cannot meet the full public need for the product.

The U.S. Court of Appeals this week ruled that the inventor of a top secret military device is entitled to sue the government for compensation regardless of security considerations, but the trial will be behind closed doors. The ruling came in the case of Dr. Otto Halpern, Viennese inventor of a device so secret that the Navy won't even say what it is.

Sears, Roebuck Will Seek \$350-Million To Meet Clamor for Consumer Credit

On Sept. 10, Sears, Roebuck & Co. will offer to the public \$350-million in 25-year debentures—the largest offering of its kind in history.

The proceeds will be used partly to expand retail and mail order facilities but chiefly to cope with the ever-increasing demand for consumer credit. In 1956, only 43.9% of Sears' sales were on credit; the figure has already reached 47%, and the company expects it will hit 50% within a few years.

The offering is being made by Sears itself, instead of by its retail credit arm—the Sears, Roebuck Acceptance Corp.—because for technical reasons the parent can borrow money more cheaply than its offspring.

The New York insurance companies—a major source of long-term credit—may not under the law lend money to a company that has not earned 1½ times its charges in each of five years. The Acceptance Corp., being only two years old, cannot qualify, but the parent can, and so borrows at the lowest possible rates.

Martin Co. Awards Missile Subcontracts As Army Tries Delegation of Powers

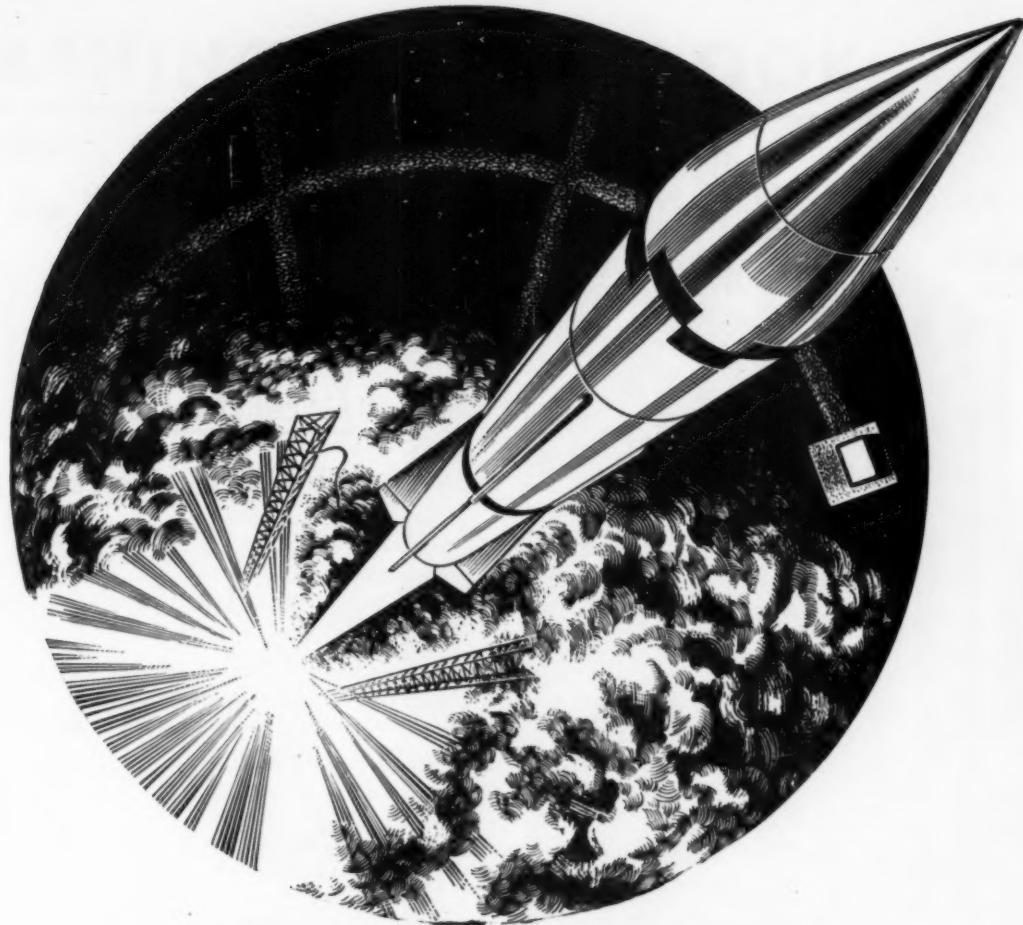
The Martin Co., prime contractor for the Army's 500-mi. solid fuel ballistic missile, the Pershing, has awarded four major subcontracts. The Pershing project is the Army's first venture into the Air Force concept of giving the prime contractor broad powers in weapons development. Under the subcontracts:

Thiokol Chemical Corp. will design and develop the rocket engine.

Bendix Eclipse-Pioneer Div. will build an inertial guidance system.

Bulova Watch Co. will work on the fusing and arming system.

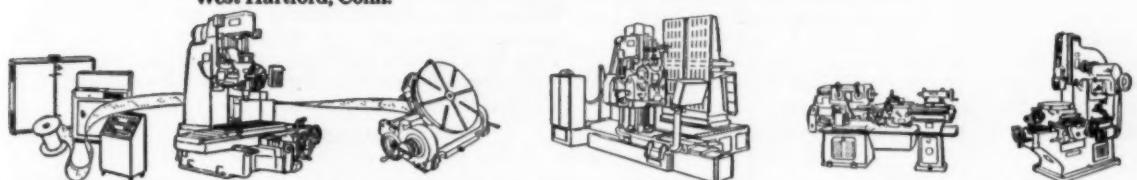
Thompson Products will make a transporter-erector-launcher vehicle.



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The Inland Steel Company's new headquarters in Chicago numbers some important firsts among its outstanding features. It is the first large office building to be built in Chicago's loop in 20 years. It is also Chicago's first stainless curtain wall building, and the first building anywhere to use the low-nickel stainless grades pioneered by Allegheny Ludlum.

Allegheny 200-series stainless steels (Types 201 and 202) are the answer to one of the knottiest problems that have faced architects and designers who want to use the superior durability, strength and beauty inherent in stainless steel. Now, with the 200-series it is possible to think in terms of stainless steel without fear of future shortages. That is always an important consideration, and especially so with mass-produced items.

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WASHINGTON OUTLOOK

WASHINGTON
BUREAU
AUG. 9, 1958



Washington's fears of inflation are ballooning.

Living costs have been moving up steadily for over a year and the prospect, as officials see it, is for more and steeper rises.

The rise in steel prices won't be rolled back. Washington will investigate. It may even bring antitrust actions, but these will take years to get through the courts. Meantime, the price hikes will stick.

Higher prices on autos are expected. Word coming to Washington from Detroit is that 1959 models, soon to hit the market, will be marked up. And there will be upward pressure on other consumer durables.

Then, there's the huge debt and the deficit. They threaten to make indirect controls on bank credit—the government's main anti-inflation weapon—even less effective than they were in 1956 and 1957.

What does Washington plan to do? The answer is: Not much. While officials are deeply concerned, they are also convinced that the political climate today will limit their actions.

Direct wage and price controls are out—certainly for a long time. If war came, they could be resorted to, quickly. But without war, they would be a sort of last resort, after inflation is out of hand.

Controls now on the books are limited. The Federal Reserve Board this week upped stock margins—from 50% to 70%—to discourage speculation (page 26). There are controls over housing credit, through the Federal Housing Administration and the Veterans Administration. But there's no real thought of a tightening in this area at this time. With the exception of these two fields, the reliance will have to be on general credit regulation. And tightening credit generally will be difficult in view of the Treasury's inescapable need to borrow.

—•—

Here's what the Treasury is up against:

The refinancing problem is huge. For fiscal 1959, the 12 months starting July 1, the Treasury must renew some \$125-billion of its debt now outstanding. That's the amount of securities that will fall due during the year. The bulk of it is 91-day bills—the shortest-term paper. But some \$45-billion is in longer term securities. And the July refinancing when the Treasury tried to get the market to take one-year certificates was something of a flop. The Treasury and the Federal Reserve System had to come in and prop up the market.

Then, there's the matter of new money. The deficit for this year now is forecast at around \$12-billion—the largest ever for a non-war year. What this means is that the Treasury, in addition to refinancing huge maturing debt, must go into the market for a lot of new money.

Some clues to future money policy are available.

The Treasury will try to bunch up its operations. In 1957, the Treasury went into the money market 12 times, was out of the market in only one month. So far this calendar year it has been in six times. But in July, it took care of maturities through September. It plans to go back into the market in October to raise some new cash—money to underwrite the deficit. And it hopes eventually to get its trips to the market down to four times a year.

Here's the point: If the Treasury can avoid being in the market all the

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
AUG. 9, 1958

time, then the Federal Reserve Board will have more freedom in its decisions on when to ease or tighten the money market. The hope is that by careful maneuvering, the Reserve System can ease up when the Treasury needs funds and then tighten when the Treasury is out of the market.

The point for businessmen to remember is this: The policy is aimed at establishing a sort of double standard. As inflation develops, the object will be to make money easy for the government to get, while keeping it a little on the tight side for other borrowers. Such a policy might succeed in braking inflation, but officials agree that it has little or no chance of stopping the price uptrend and holding the dollar stable.

—•—

Eisenhower has strong feelings about inflation. He went after the Truman regime on this score and promised a stable dollar, which he had for nearly four years. He's worried now.

The President thinks along these lines: Government, management, and labor share the responsibility for inflation. He doesn't try to tag any one of them as more responsible than the other. But he does point out that labor has a real big stake. His illustration is what happens to a pension, built up over a man's working life and then paid off with inflated dollars.

He sees a danger to the whole economic system. With steel price hikes in mind, he told this week's press conference that the consumer will rebel if management and labor do not exercise restraint. This could lead to a demand for rigid price and wage controls. As Eisenhower sees it, this would be tragic.

Note some shifting in Congressional sentiment on controls.

Congress is opposed to government regulation. Some of the New Deal types talk it up, but they can't put it over. The thing you should keep in mind, however, is that there's a shift among conservatives. It shows up in cloakroom conversations. Men who are opposed to a regulated economy speculate on how long big labor and big business can be allowed to set prices. They see the government stepping in, unless industry and labor give more attention to the position of the consumer.

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Congress will quit within a week or so.

Some bills that won't pass, important to many:

Aid for school construction is dead. It had a chance, a slim one, until the recession hit bottom. Now there's no chance.

Federal money for science scholarships may be lost in the scramble by Congress to get out of town. This issue was hot when Russia put her first Sputniks up. Now it is cooling off.

In the antitrust field, there's little chance for a tighter control over mergers. A national fair trade law is out for this session.

On labor, you may get a weak bill on pension and welfare funds. The Democrats who control Congress don't want to offend the unions. With an election coming up, they want union support, especially financial.



He can't wipe away the plant's dust problems

Ultimately, somebody has to get rid of "plant" dust, dirt, smoke and fumes. If the job is left up to workers, the cost to management is exorbitant. For example, if workers' cars are constantly exposed to blankets of dust in the Company parking lot, lowered morale and complaints are the inevitable result.

The modern (and thrifty) way to attack the problem is with AAF Dust Control applied at all dust sources. This way, dust is trapped the instant

it is produced. It never has a chance to irritate workers, arouse neighborhood housewives or run up your own plant cleaning costs.

For complete information on AAF's complete line of dust control equipment, write for "The Answers to the Five Basic Dust Problems" (Bulletin 270-A1). Address: Mr. Robert Moore, American Air Filter Co., Inc., 387 Central Ave., Louisville 8, Ky. In Canada: American Air Filter of Canada, Ltd., 400 Stinson Blvd., Montreal 9.



American Air Filter
COMPANY, INC., LOUISVILLE, KENTUCKY

IBMMANAGEMENT
INTERVIEW**GOLDEN
MILESTONE
GENERAL MOTORS**

J. C. Fisher, Robert M. Wagner, James R. Bolton—the men who led the electronics program at Buick.

HOW IBM HELPS BUICK BUILD BETTER CARS



An exciting new tool in the auto industry's continuing efforts to build even better cars is the IBM 705 electronic data processing system. From complex production scheduling to the design of new transmissions, the IBM 705 is helping to bring a startling revolution to the auto industry.

As exciting as any story is that told by the Buick Division of General Motors. Here, reporting on Buick's progress is the management team that spearheaded the IBM 705 program. Led by General Manager and GM Vice President Edward T. Ragsdale, they are: Robert M. Wagner, General Production Manager, James R. Bolton, Comptroller, J. C. Fisher, Superintendent of Data Processing.

Q. What is the IBM 705 doing for you?

A. The biggest thing right now is helping us keep our production of parts and sub-assemblies keyed to a constantly changing public demand... so we can ship a Buick exactly the way the customer wants it, in the shortest possible time.

Q. What's involved in this?

A. It means controlling the flow of production from 2000 different suppliers who furnish us with some 3500 different parts and assemblies, ranging from bolts to complete bodies.

Q. How is the IBM 705 improving your handling of this flow of materials?

A. When a sales trend was spotted that made a change in our schedules necessary, it used to take two weeks to make the change—that is, to do all the paperwork and computing. And that's with plenty of overtime. Today the IBM 705 does all this work, including printing new contracts for mailing, in seven hours.

Q. Do you gain other benefits from your IBM operation?

A. Oh, we're using the machines in many areas of our business. We get our parts sales analysis reports ten days sooner; we get operating reports on a daily basis that were never possible before. And, as I've mentioned, our engineers are even building better Buicks with this IBM 705 computer.

Q. What's the advantage of using a computer in the design stages?

A. It helps us cut down on the expensive procedure of actually building premature prototypes to test a new

design. The IBM 705 can figure performance or design characteristics mathematically...to save both time and money.

Q. Well, how does the IBM 705 do this?

A. Our "car performance prediction" procedure is one of the most interesting examples. There, the IBM 705 puts mathematics to work to ascertain what new engine or transmission will deliver in a new automobile under all expected operating conditions. A testing procedure like this normally takes hundreds of thousands of dollars and months of engineering work. The IBM 705 takes about one-half hour to come up with a complete performance report.

Q. Aren't these problems a man could solve if he had time available?

A. Of course, but what the system does in minutes would take a man months or years. Recently, the

IBM 705 handled in a minute-and-a-half a job that once took a week-and-a-half. The mathematics involved in producing the car performance reports we spoke of would take an engineer decades to calculate, if he chose to do it without the aid of electronics.

Q. Then, actually you're doing things that were once entirely impossible.

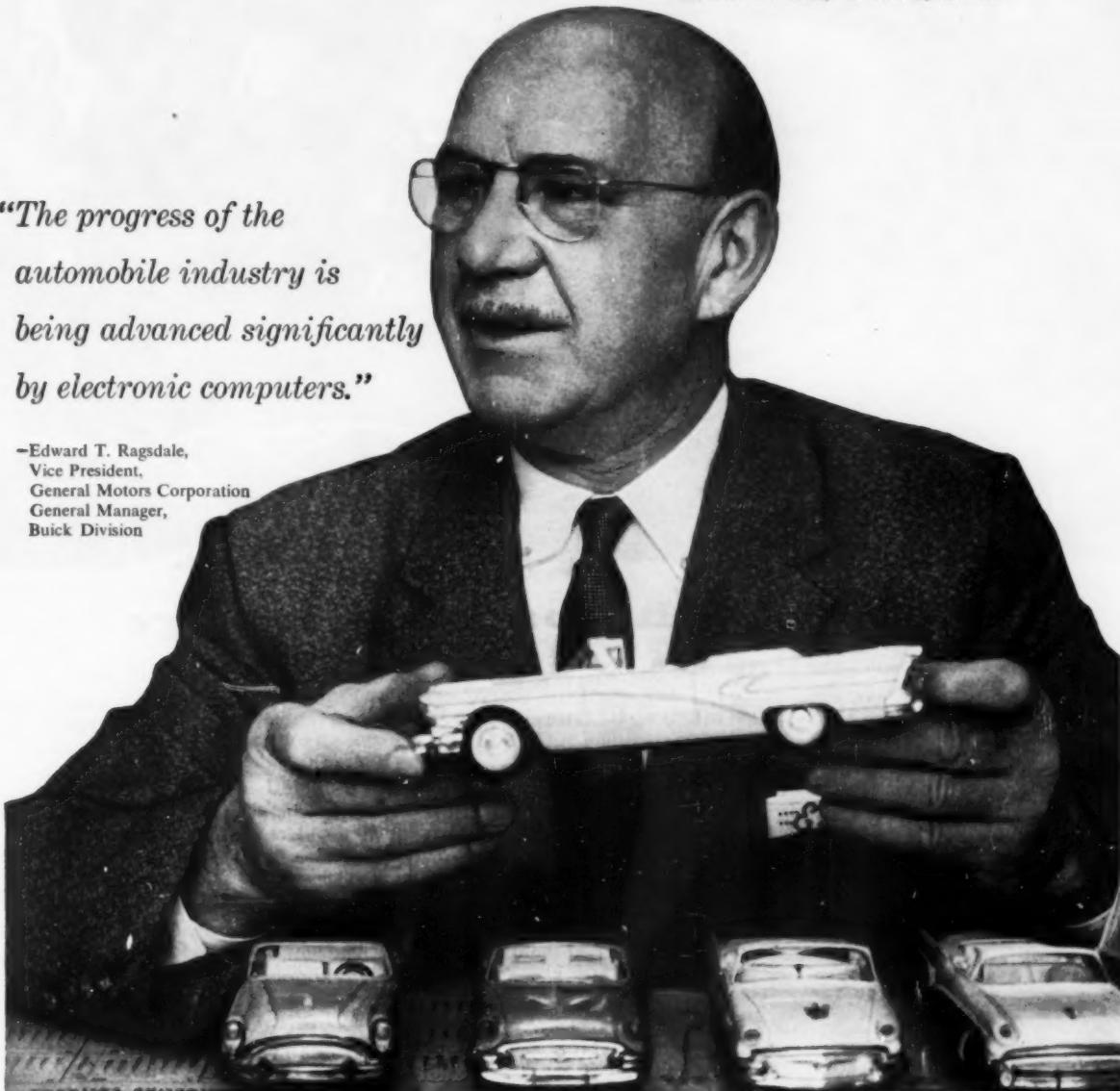
A. Realistically speaking, yes. An engineer used to start with the first design that met his requirements. Today, we're running off the many possibilities of a design so that he can pick the most effective *in advance*. We've gone far...but we've only begun to realize the possibilities of electronic data processing.



INTERNATIONAL BUSINESS MACHINES CORPORATION
800 MADISON AVENUE, NEW YORK 22, NEW YORK

*"The progress of the
automobile industry is
being advanced significantly
by electronic computers."*

—Edward T. Ragsdale,
Vice President,
General Motors Corporation
General Manager,
Buick Division





The case of the balking bridge

It was a dandy day for dedicating a bridge. Which was all to the good since Hizzoner — Mayor Philip E. Bodkin — was about to officially open the Philip E. Bodkin Lift Bridge — 5 million bucks worth of steel, concrete, electrical cables and motors.

As Hizzoner's assistant, I had whipped up a little ceremony complete with speeches, music and ribbon-snipping. As a smasheroo finale, the big electric motors would ease the lift section down into place and a motorcade, with Hizzoner at the helm, was to roll

over the bridge into Smedley.

Well, the speeches came off splendidly. Hizzoner's niece hacked the ribbon apart. And as the Firehouse Band blatted out a fanfare, everyone gazed expectantly at the lift section, waiting for it to descend in glory.

But it didn't descend. In glory or anything else. Even though Hizzoner huffed and puffed, stormed and hollered, it didn't come down until two days later when some defective electric cable had been replaced. But by that time, Hizzoner wanted to forget

the whole thing. 'Specially when I reminded him that the guilty power cable had been a bargain special supplied by his Cousin Al over the objections of the engineers, who had specified Okonite.

Next day, however, Cousin Al was back working at the filling station and the whole darn electrical system of the Philip E. Bodkin Bridge was being rewired with Okonite Cable.

And, for some reason, Hizzoner keeps about three inches of heavy-duty Okonite Cable on his desk for a paperweight.



where there's electrical power... there's **OKONITE CABLE**

MARKETING

TV Nets Scramble For Fall Sponsors

For the nation's three TV networks, September is shaping up as one of the most crucial fall seasons in their history. For the first time, they will launch their schedule of shows in a recession.

Many advertisers are showing no haste in signing up for their fall TV commitments. This foot-dragging has produced the latest selling season yet. At last count, 28 half-hour segments were going begging in the choice evening hours between 7:30 and 10:30 or 11. Columbia Broadcasting System is stuck with 9 half-hours, National Broadcasting Co. with 9, and American Broadcasting Co. with 10.

• **New Round**—Next fall will signal not only the industry's intensified drive for the advertising dollar. It will signal, too, a new round in the inter-network competition for big audiences.

The season just past has brought important changes in the nets' competitive standing. CBS, long a front runner among the nets, is still ahead in total billings and in size of audience watching its shows. But NBC has closed in on CBS. ABC established gains which make it a more formidable challenger.

I. Holding the Line

The networks do not conceal the fact that unsold time for the fall is hanging heavy on their hands. For a while, the recession left them relatively unscathed. Network billings for January through June of 1958 are up 12.9% over the same 1957 period, according to TV Bureau of Advertising. Much of this increase, though, reflects business contracted for months earlier.

• **Threat to Earnings**—Unsold time could drastically affect earnings. On this count, the nets have a special problem. Magazines and newspapers can reduce their pages to some extent as advertising declines. Nets must fill their unsold hours anyway, absorbing costs at a period when revenue is down.

The result, as NBC's chairman Robert W. Sarnoff explains, is that "the swing between profit and loss is far sharper and the risks far higher" than for other media. "A handful of prime evening time periods left unsponsored can transform the figures on any network's ledger from black ink to red."

The networks anticipate no such dim future. Says quiet-spoken Louis G. Cowan, president of the CBS TV Network, "Advertisers want to advertise. They are just watching closely where

they put their money. I assume that CBS will be in a good position next fall." NBC's new president Robert E. Kintner declares positively, "NBC expects to be sold out at nighttime in the fall." ABC has always had the problem of unsold time, but the network's youthful president Oliver Treyz is sure it will have fewer unsold hours this fall than ever before. "I've never felt so bullish," he declares expansively.

• **Concessions**—Nevertheless, advertisers' determination to hold the line on TV costs and to avoid tying themselves into long-term contracts (BW-Apr. 19'58, p53) is stiffening. The 52-week contract, once standard in the industry, is a rarity; advertisers are signing up for 26 weeks or even fewer. Alternate or other kinds of shared sponsorships continue strong. Less expensive program formats, such as the game type of quiz show, are appearing in greater numbers. Reportedly, advertisers are getting price concessions on some programs. NBC's Kintner insists that "pressure has been on the lengthy commitment rather than on price." But he concedes, "We, as well as other networks, have changed the value of some programs, especially untried shows."

• **Trimming the Fat**—While selling hard to advertisers, the nets are moving to strengthen their own operations. Both CBS and NBC have trimmed personnel as a cost-cutting measure. "TV is a business that has boomed," Sarnoff explains. "Naturally, it acquired a bit of fat. We are taking this opportunity to streamline."

All nets are giving programming a lot of attention. Explaining some of NBC's cost cutting, Sarnoff emphasizes, "All resources should be directed to programs." And CBS' Cowan says firmly, "The strength of a network has to come from creative programming."

II. Audience Shift

Last season's audience shift helps explain some recent developments that look beyond next fall.

The top-level management change at NBC, where Kintner took over as president from Sarnoff, who moved up to board chairman, is a case in point (BW-Jul. 19'58, p.57). The move was designed to strengthen the two-man combination that scored some important gains for NBC.

• **NBC Climbs**—Until last fall, NBC had been lagging well behind CBS in



Oliver Treyz
President of ABC Television



Robert E. Kintner
President of NBC



Louis G. Cowan
President, CBS Television Network

Corrugated box with built-in protection



**Hotpoint ovens travel to kitchens
in custom-designed Hinde & Dauch
shipping boxes. Interior packing
prevents damage, keeps appliances
in factory-new shape. Does your
product need king-size protection?
Better see H & D.**



HINDE & DAUCH

Division of West Virginia Pulp and Paper Company

AUTHORITY ON PACKAGING • SANDUSKY, OHIO
15 FACTORIES • 42 SALES OFFICES

billings. Its programs had been dwindling in audience appeal. For the 1957 fall season, Sarnoff and Kintner shook up the network, drastically overhauled the nighttime program schedule, began strengthening the daytime line-up. This year, NBC's gross time billings for the first six months had increased 14.5% over the same period last year—from \$93.8-million to \$107.4-million. In the same time, CBS' billings rose from \$116.7-million to \$124-million, a 6.2% gain.

NBC also scored improvement in program appeal. Its national audience is still behind CBS, partly because a greater number of stations around the country broadcast CBS shows. But the Nielsen ratings in 14 major cities where the three nets compete are accepted in the industry as evidence of comparative program popularity even though they do not reflect national audience. On this basis, NBC's average January-March ratings for nighttime shows in 1957 was 20.1 compared with CBS' 25.3, a 21% lead for CBS. For the same period this year, NBC's rating rose to 22.9 whereas CBS dropped to 21.3, putting NBC 3% ahead.

- ABC's Coup—ABC, too, has increased its billings and audience, getting its shows into more markets. Its 6-months billings were up 28.7% this year, to \$51.6-million. Its national audience, as reported by the Nielsen national rating, January through March nighttime average, rose from 16.9 in 1957 to 19.0 this year, a 12% jump. These figures are not comparable with those for NBC and CBS above, but right now growth of total audience means much at ABC.

But ABC's most spectacular coup is its plunge into daytime TV through an unusual arrangement with a New York advertising agency, Young & Rubicam, Inc. By this plan, ABC has added three hours a day to its weekday schedule. Y&R has bought two full hours each day, at a reported cost of \$13.3-million, to advertise products of such clients as General Foods Corp., Johnson & Johnson, and Bristol Myers Co. Other ad agencies have bought additional time.

- Agency Control—There has been muttering in some network quarters that ABC is selling its time too cheap and won't make any money. Some network people are also worried that the deal gives the agency too much control over programming.

But Tieyz declares his network will have the same say-so over its shows it has always had. ABC makes money on the whole package when it reaches the break-even point of 75% to 80% sold-out time of the extra 15 hours a week, Tieyz says, and adds that it has passed the 80% point now.

The overriding importance of the



College puts coal at head of class

Otterbein College saves 42% with coal, installs revolutionary package boiler

Otterbein College, Westerville, Ohio, has discovered truly efficient heat generation. Otterbein's new heating plant burns coal in Coal-Pak boilers—developed by Bituminous Coal Research, Inc.—for automatic performance plus unique simplicity of operation. The result has been savings in manpower . . . and a spotlessly clean plant. In addition, comparative fuel cost studies have proved that coal costs 42% less per million Btu than the nearest competitive fuel in this area . . . a bonus savings! And, in keeping

with the modern operation of this plant, the interior has been brightened by an attractive color scheme.

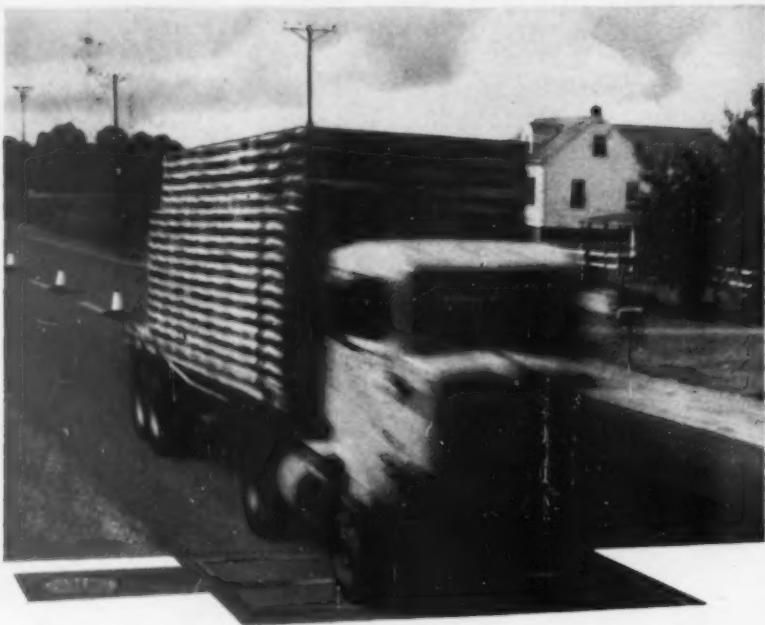
Consult an engineering firm

If you are remodeling or building new power facilities, consult a qualified engineering firm. Such concerns—familiar with the latest in fuel costs and equipment—will effect great savings for you in efficiency and fuel economy over the years.

Facts you should know about coal
Not only is bituminous coal the lowest-

cost fuel in most industrial areas, but up-to-date coal burning equipment can give you 15% to 50% more steam per dollar. Today's automatic equipment pares labor costs and eliminates smoke problems. And vast coal reserves plus mechanized production methods mean a constantly plentiful supply of coal at stable prices.

For free booklet "Guide Specifications for Typical Low-Pressure Commercial Heating Plant" or for technical advisory service, write to the address below.



ADDING YEARS TO HIGHWAYS ... *IN MINUTES*

with Cox & Stevens Electronic Scales



Longer life is being built into our highways as a result of truck axle load research carried on by state highway engineers. In the past, conventional "stop, wait and weigh" roadside scales collected only limited research data while truckers fretted at delays. Now, Cox & Stevens Electronic Scales, set right in the highway, record axle loads, axle spacings, gross weights and speeds . . . instantaneously . . . while the trucks high-ball along.

Similar Cox & Stevens Electronic Scales are also used to detect overloaded trucks "on the fly." They permit equitable enforcement of weight laws . . . stopping only the violators . . . without even slowing down trucks properly loaded. One scale crew can do the work of several.

Cox & Stevens Electronic Scales are now installed in Iowa, Virginia, Minnesota and Oregon. They are a product of Electronic Signal Co., an important member of the Neptune group now serving virtually all industries.

NEPTUNE METER COMPANY, 19 West 50th St., New York 20, N. Y.

neptune
for a better measure of profit

DIVISIONS and

Neptune Meter Co., Neptune Meters, Ltd.

Revere Corporation of America

Superior Meter Co., Inc.

Hot Spot Detector Co., Inc.

Electronic Signal Co., Inc.

PRODUCTS

liquid meters

aircraft instruments & wire

gas meters

temperature warning systems

toll collection equipment, electronic scales

deal, Treyz points out, is that ABC, which has been painfully struggling into daytime TV, gets a fully competitive daytime program schedule at one stroke. Already 138 advertisers are on TV to reach daytime's largely female audience, mainly on the other nets. ABC can now go after this market.

III. CBS Regroups

Confronted with this intensified threat from the other nets, especially NBC, CBS is taking action. Earlier this year it moved to strengthen its TV operations by splitting its TV Division right down the middle. Merle S. Jones, former head of that division, became president of a newly created CBS Stations Div., which includes such money-making operations as the owned and operated stations, spot sales, and other essentially non-network activities. To head the Network Div., CBS picked Louis Cowan, who made a name as the creator of such program blockbusters as the \$64,000 Question.

In the choice of Cowan, in other management shifts, and in the new freedom of the network head from many non-network responsibilities, the new organization points to an emphasis on programming, long CBS' strong point. Cowan constantly reveals his preoccupation with creating programs. "Inordinate respect for talent," "intense desire to do the best programming job," are keys that dominate his conversation.

• **New Shows**—Already this emphasis shows. In recent years, CBS has made fewer changes than the other nets in its successful program schedule. Even last year, when NBC revised its line-up, CBS kept its shows pretty much intact.

Next September, CBS will go on the air with 11 new nighttime shows, plus Arthur Godfrey in a new format and Your Hit Parade, taken over from NBC. Only one night, Sunday, is without at least one new program. Monday night, where NBC has made great inroads, gets special treatment on CBS: a new hour-long western, Rawhide; a new hour Desilu Playhouse, for Westinghouse Electric Corp. Another change: CBS has for a long time left specials to NBC. (A special is a show, usually of an out-of-the-ordinary character, dropped in on an irregular basis.) This season, CBS has upwards of 30 specials on tap.

Both NBC and ABC are entering the fall with plenty of new shows, also. In spite of last season's changes, NBC has rescheduled its nighttime line-up with 13 new programs, adding mostly westerns, adventures, and game shows. For variety, it has 47 specials planned. ABC's 11 new shows vary its action shows with musical programs, like Donna Reed and Patti Page. **END**



"Celery's sagging in Saginaw"

The Florida shipper's voice sounded worried as he phoned the Chesapeake and Ohio Freight Traffic Representative at Jacksonville.

"Bottom's dropped out of the market and I have a carload headed there. What can you do?"

"Hold the phone while I look it up", answered the C&O man. "Here it is on the CLIC list just off the teletype. Your car was delivered to our line at Elkhorn City this morning. I can divert it at Russell Yard. Where do you want it sent?"

"Make it Toronto. Celery is a hot item there." And so another crisis was solved by CLIC (Car

Location Information Center) C&O's car reporting system that works and works fast. A car can't move anywhere on the system without setting the teletypes to chattering, and in minutes every interested office knows about it.

When you write "C&O" on your bill of lading, your shipment will get a comfortable, damage-free ride over C&O's smooth track. It will get a fast ride on a C&O scheduled manifest freight. And you will know just where it is every minute it is on C&O lines. Try routing a car C&O, and see how CLIC works.

Would you like a copy of a booklet describing CLIC? Just write:

Chesapeake and Ohio Railway

3801 TERMINAL TOWER, CLEVELAND 1, OHIO



SHIP C & O . . . AND WATCH IT GO!

In Marketing

• • •

J. H. Whitney Buys Parade From Field

Trade Hears Price Was Around \$10-Million

Parade, nationally syndicated Sunday newspaper supplement, swapped hands last week. John Hay Whitney, Jr., U.S. Ambassador to Great Britain, bought Parade Publications, Inc., from Field Enterprises, Inc., headed by Marshall Field, Jr., publisher of the Chicago Sun-Times. Trade talk has it that the undisclosed price was around \$10-million. Ownership passes to Plymouth Rock Publications, owned by Whitney. Arthur H. (Red) Motley will continue to hold the managerial fort at Parade under the new ownership.

Like some of the other national Sunday supplements (BW-Dec. 1 '56, p80), Parade has come along fast, in both circulation and advertising. It now claims a circulation of over 8-million. Advertising volume of over \$19-million last year—a record—was 18% ahead of 1956, and, Parade says, its \$2-million increase the first six months of 1958 made it the biggest dollar gainer of all publications with gross revenues of over \$10-million in this year's first half.

Marshall Field, Jr., explained his sale on the grounds that it followed his policy, announced last year, of concentrating on Chicago and the Middle West. Parade is distributed by 59 newspapers all over the U.S. and in Hawaii.

• • •

Radiation Standards Raise Problem For Radium-Dial Watches

There may be storms ahead for sales of radium-dial watches, though the cloud now seems no bigger than a man's wrist. A new radiological code for New York City, effective June 15, exempts from its regulations those establishments that handle watches "in such a manner that no person is exposed within one week to ionizing radiation exceeding in amount one-tenth the maximum permissible dose rate" recommended by the National Bureau of Standards. Apparently, places where watches exceed the exempted amount must follow the code.

Now American Standards Testing Bureau, independent New York laboratory, has announced that a number of individual watches, picked at random, emit radiation beyond the limits prescribed for exemption. ASTB got into the act when its affiliate, Sam Tour & Co., checked a skin diver's watch (which turned out to have a particularly heavy radiation level).

The New York City Board of Health is checking amounts of radiation given off by watches in wholesale supply houses, but hasn't yet decided what—if anything—to do about places handling smaller numbers of watches. Its tests of individual watches have found none in violation of the city rules, in contrast to ASTB's tests. The actual biological significance of this level of radiation has not been established, but, as more is learned, the tendency is to tighten the rules governing the use of radioactive materials and devices.

American watchmakers—most of whose dials come from Switzerland—say they'll be the first to move against radium dials if any ill effect is proved, or as soon as rules such as New York's require. They might reduce radium on a dial or eliminate such dials. Different companies estimate that from 1% to 25% of their watches have luminous dials or hands—too small a number to hurt drastically if such dials must be dropped.

Other possibilities include switching from the radium 226 now used to other radioactive sources. Or watch companies might develop a case and face that would shield the gamma rays which constitute the most significant radiation. Watchmakers feel, though, this would hardly be worth while once a radiation scare gets under way. They point out, too, that both American and Swiss watchmakers conduct their own tests to make sure their products are not harmful.

• • •

Meyner Signs Jersey's Sunday Ban On Stores; Merchants Gird for Battle

The hot issue of Sunday retail openings broke out again this week. Gov. Robert B. Meyner signed a law that bans such openings in most of New Jersey. This law could throw an enormous damper on the thriving roadside retailers who have made hay from the state's heavy Sunday traffic (BW-Jun. 8 '57, p62).

Several of the bigger merchants say they will not individually challenge the law; they will comply. But the Garden State Merchants Assn. of New Jersey, Inc., representing opponents of the law, is getting set to test it in the courts. First effort probably will be to get a restraining order. They view the law as discriminatory since it exempts three shore counties completely from the ban and also exempts a list of items that may be sold.

One source suggests the law may even make life easier for merchants in Paramus, N. J. Paramus has its own tight blue law; if the state law supersedes it, as usually happens, some merchants who have had to close in that community may be able to open under the looser state law.

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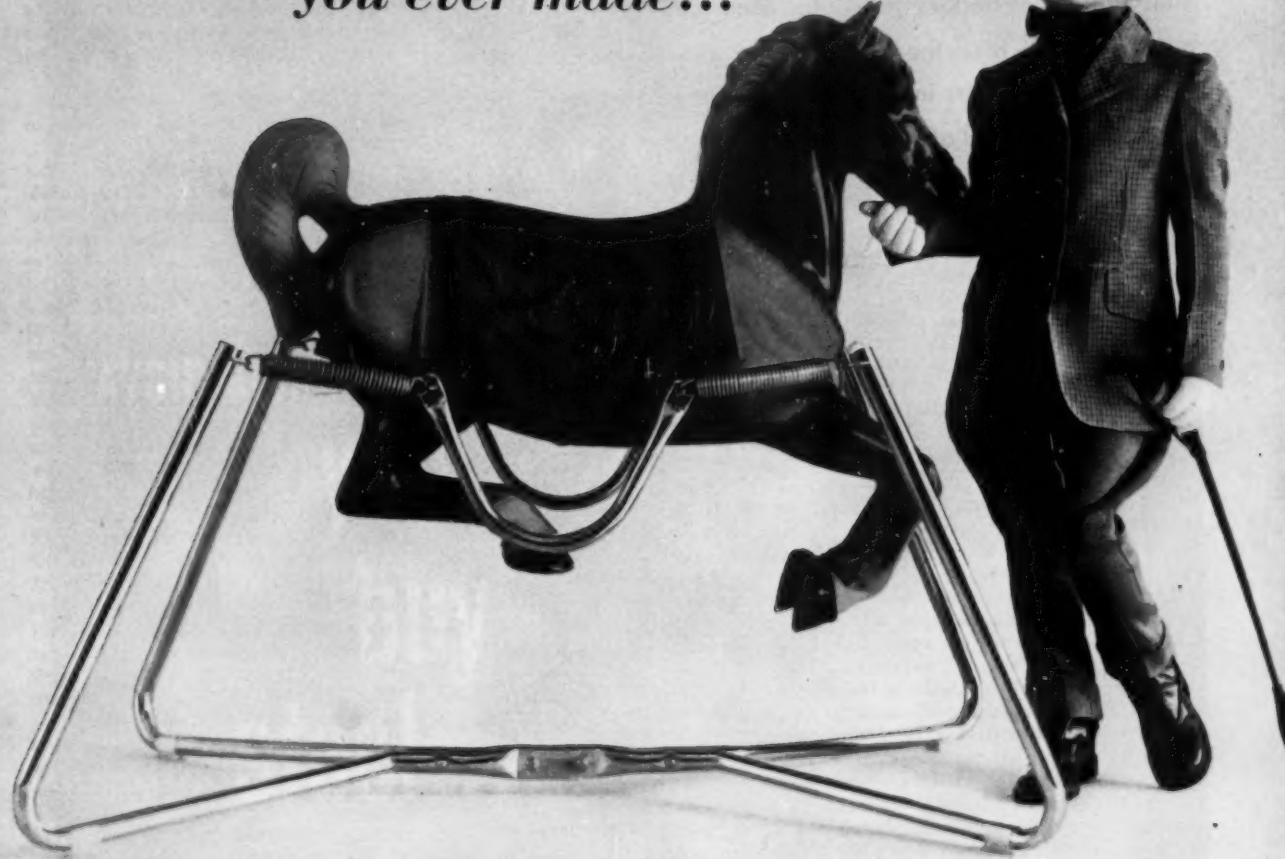
Marketing Briefs

General Motors' multimillion-dollar "Motorama" will hit the road again after a lapse last year. Customarily half a dozen large cities see this exhibit of GM products. This year, it will play only to New York and Boston.

For \$25,000 a day, you can charter the luxury liner Lurline next winter during two unexpected breaks in the ship's regular schedule between the Pacific Coast and Hawaii. Price includes everything but liquor and extra piloting and dock fees for special port calls. Matson Navigation Co. hopes to interest companies seeking a novel setting for sales meetings and the like. Cancellation of a planned cruise opens up time late this year and in March.

Big retailers expand: Sears, Roebuck plans a 100,000-sq. ft. department store in a 70-acre shopping center to be opened in New Jersey's new Levittown. J. C. Penney Co. opened 11 new or expanded stores on one day last week—five in new suburban shopping centers.

*from Vinyl Plastisols
may come the easiest
product improvements
you ever made...*



large, one-piece molded items are rugged, realistic and reasonable!

Fourteen pounds of vinyl plastisol, rotationally molded, produced this strikingly handsome hobby-horse. It's big—a one-piece unit in permanently lustrous "Pinto" color. Its detail—from flaring nostrils to flowing tail—is wonderfully life-like. And its cost is competitive!

*Molding vinyl plastisols—by slush or rotationa-
methods—produces a host of hollow products from
dolls' heads to rain boots. Reproduction of detail
is excellent. Color choice is unlimited and
permanent. Quality is high, cost low.*

*Vinyl Plastisols also make tough flexible coatings.
They can be fused to metals before as well as
after forming, or coated on fabrics and paper for
luggage, wall, and floor coverings. The finish can
be thick or thin, rigid or flexible, smooth,
textured, or embossed! Vinyl plastisols become
permanent sealants, sound-proofing, foamed
insulation and upholstery.*

*How can a vinyl plastisol become your product's new
advantage? "The Vinyl Plastisol Story" spells
it out in detail. Send coupon for your free copy.
Monsanto Chemical Company, Plastics Division,
Springfield 2, Mass.*

Monsanto is a major supplier
of Opalon® vinyl resins and
Monsanto Plasticizers, on
which are based many of the
fine vinyl plastisols available
from qualified formulators.

©OPALON: REG. U. S. PAT. OFF.



Monsanto Chemical Company
Plastics Division, Room 144, Springfield 2, Mass.
Please send me free copy of
"The Vinyl Plastisol Story."
Name _____ Title _____
Company _____
Address _____ Zone _____ City _____ State _____

Turning Heat on Boiler Rooms

● Telephone pitches bring high-pressure stock salesmen millions of dollars yearly for phony stocks.

● To give the public better protection against such frauds, the SEC has instituted a change of tactics.

● Instead of waiting to build a court case, it's moving fast to stop shady dealings almost as soon as they start.

In the securities business, one of the hardest crooks to control has long been the high-pressure salesman of phony stock. Making exaggerated pitches mainly over long-distance telephones from offices known as "boiler rooms," these slippery operators last year bilked the public of some \$250-million in New York State alone—and of untold sums in stock sales in other states from coast to coast.

"We put them out of business on Broad Street and they turn up on Pine," sighs one government gumshoe weary from trying to protect the public against the slick-talking salesmen.

• **Quicker Action**—This week, however, there was bad news for the boiler rooms—and from two directions at once. The Securities & Exchange Commission, whose more than 150 sleuths enforce most of the laws in this field, made a quiet but significant change in its modus operandi. In the past, the SEC usually waited—sometimes for months, even years—until it had marshaled enough evidence for a solid court case before moving against a violator. Now it's taking administrative action against stock dealers suspected of fraud within days after investigators get the scent. Then, if necessary, it builds the court case later.

At the same time, New York State's Atty. Gen. Louis J. Lefkowitz, who cooperates with the SEC by cracking down on shady dealings inside the state lines, has added three more lawyers and one more prober to his 13-man securities frauds force. He plans to step up the speed and scope of state enforcement activities.

• **Rash of Complaints**—In the last five or six weeks, the tempo of SEC's activity has risen, with one big case after another. Some examples:

- On June 25, it filed a complaint against Lincoln Securities Corp., a New York broker-dealer, charging Lincoln with peddling shares of Shoreland Mines, Ltd., in violation of the registration requirements of the Securities Act of 1933.

- On June 26, it obtained a con-

sent injunction against J. H. Lederer Co., another New York broker-dealer, restraining Lederer from offering stock of Continental Mining Exploration, Ltd., or any other securities in violation of federal registration laws.

• On July 15, it took action against Walker-Stevens, Inc., 12 salesmen, and the Brandel Trust, charging fraud in an offering of Trans Continental Industries, Inc., stock.

• On July 25, it barred from over-the-counter trading the stock of a Canadian mining company, Canadian Javelin, Ltd. (BW-Aug. 2 '58, p73).

• **The Rover Boys**—There may have been times in the past when an unusually big batch of cases broke close together. But many of the latest crop involve hundreds and sometimes thousands of investors. And all were spearheaded by the same crack two-man team of SEC investigators, known in the boiler room underground as the "Rover Boys."

The "boys" are Edward C. Jaegerman, 46, and John T. "Tim" Callahan, 63, both veteran attorneys and SEC probbers, both Yale men. Jaegerman was Phi Beta Kappa, Callahan a Rhodes scholar and All-American football player.

Ordinarily, Jaegerman and Callahan supervised criminal cases, reporting to the SEC's general counsel in Washington. For the last month or two, though, they have been spending more and more time in the field, reporting directly to Philip A. Loomis, Jr., director of the SEC's Trading & Exchanges Div., which investigates and enforces laws against fraud. Normally, regional offices handle most of the investigating, but Jaegerman and Callahan were assigned to give the big recent cases special treatment.

• **Virtues of Speed**—Part of the special treatment is the shift to quicker action. This has several advantages:

- Violators can be surprised before they close out bank accounts or doctor their records. This helps investigators obtain evidence for an air-tight case.

- The public has a better chance

to recoup some of its money, because the broker-dealer's assets can be claimed. Some corporations, incidentally, may be innocent bystanders in deals where their stock is fraudulently sold by boiler rooms.

• The publicity draws fresh information from the public to help in prosecution.

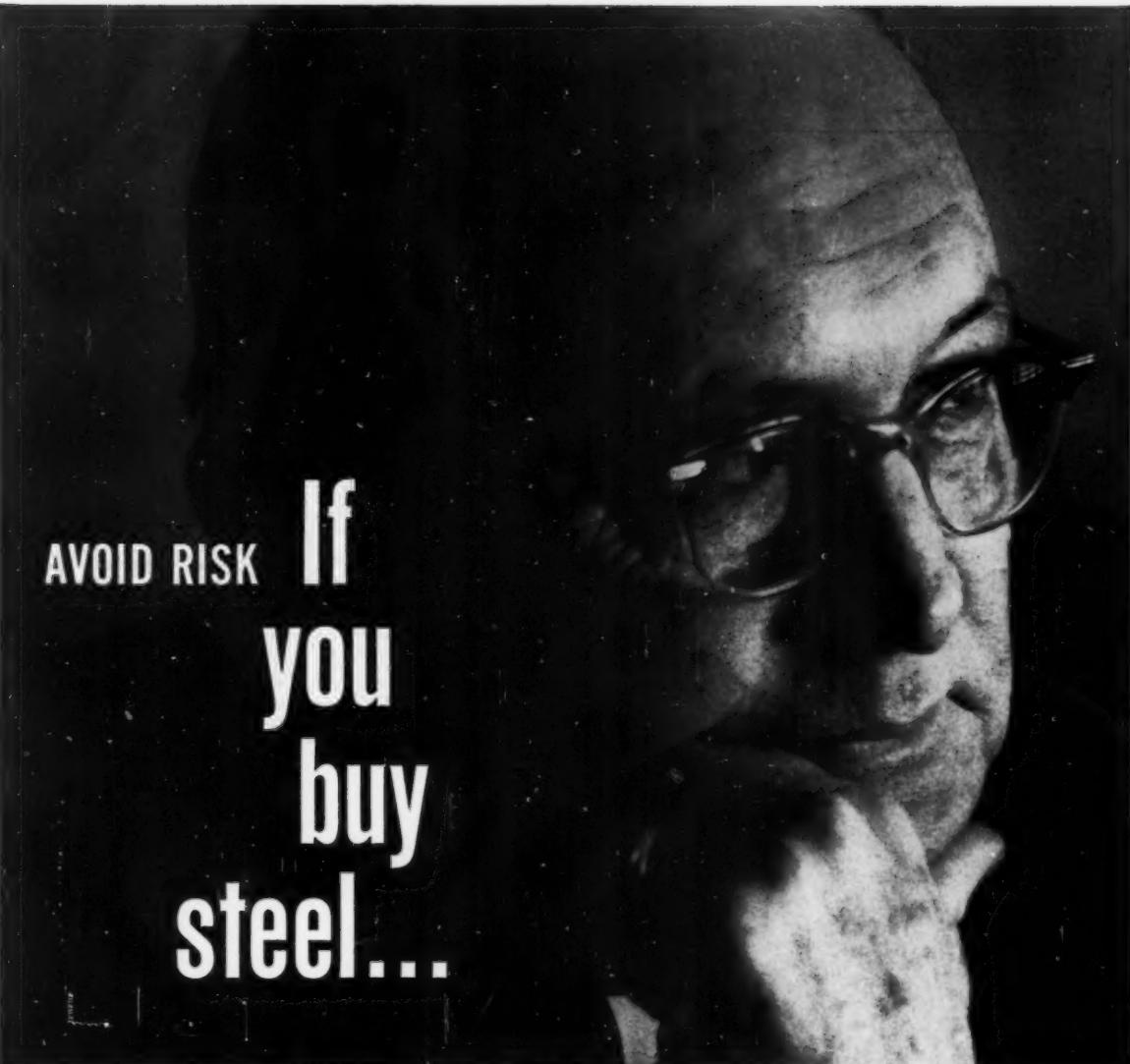
• **Working Methods**—The Lederer case shows how the SEC works. While Jaegerman and Callahan were working on another matter, they received calls from worried investors in both Denver and Boston about Lederer. SEC had been checking on the outfit for years—it was a large operation, with 20 or 30 salesmen operating out of its New York offices—but, says Jaegerman, "we couldn't get to first base with a criminal action."

Returning to New York, Jaegerman and Callahan joined the SEC's New York regional administrator, 37-year-old Paul Windels, Jr., to pay an unannounced late-afternoon call on J. H. Lederer himself. After an hour, the three felt they had heard enough to justify immediate action halting Lederer's operations.

A few days later, on June 16, four Canadian stocks sold by Lederer were placed on the commission's "Canadian Restricted List," a roster which includes more than 160 Canadian issues distributed in the U.S. in violation of SEC registration requirements. For the first time, the list also identified the broker-dealers selling the securities and outlined their tactics. Lederer was mentioned as one broker-dealer selling via long-distance phone with typical boiler room methods.

Then, on June 26, the investigators won the permanent injunctions banning Lederer from selling any securities in a way that would violate SEC rules. Lederer consented to the court decree—thus, in effect, agreeing to the SEC's terms.

• **Still Watchful**—Even then, SEC wasn't through. It watched the firm carefully, and the minute its salesmen began selling another security, Trans Continental Industries, Jaegerman and Callahan asked the five-man commission to vote temporary suspension of the stock from trading. The commission went along, and its suspension took effect even before Lederer was able to send out confirmations of his first orders for the shares. The stock has since been reinstated for trading. But subsequent investigation of Trans Continental transactions led to the action against Walker-Stevens and others. END



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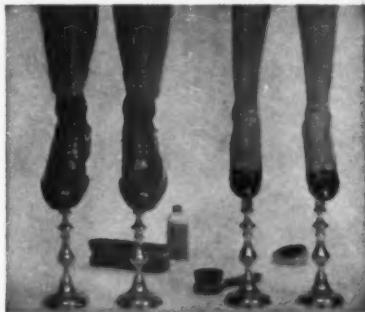
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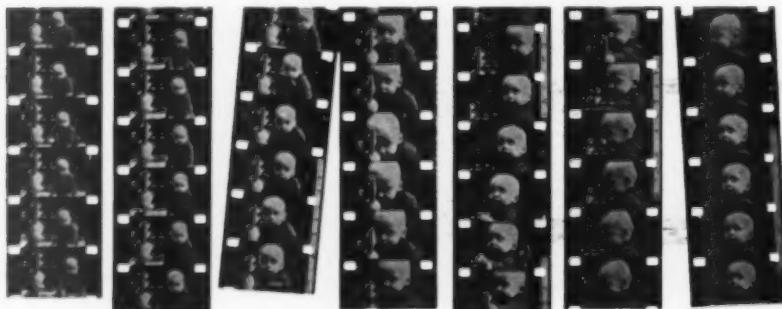
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Wall St. Talks . . .

. . . about boardroom views on the soaring market . . . and gloomier pros . . . the rise in municipal yields.

Boardroom habitues give varied reasons for the zooming market: "A gigantic squeeze is being exerted on a record-breaking short interest." "Growing mass fears of inflation or of being stuck with nothing but money." "Institutions have a constant, and huge, flow of fresh funds that must be invested and will accept even small yields if they see chances of future capital gains." "The recession is over, the next boom starting." "More and more people have finally decided it's silly to 'fight the tape,' and are scrambling to get aboard the gravy train before it is too late."

But many pros are less complacent. S. B. Lurie, of Josephthal & Co., says that "1958 has been the year of the 'Big Double Cross' to the Classicists. It may even double-cross the market's new-found fair weather friends. It's as easy to become too complacent now as it was to be overly fearful last spring." Another suggests, "Complete your profit-taking and go fishing."

Weakness in the money market has pushed up the Dow-Jones municipal bond yield index to 3.15%, highest since late last November. But Streeters expect prices to rise soon, with the inversely-moving yields going down. They argue that smaller amounts of new issues are due to hit the market for a time, while there has been a sharp drop in the unsold remnants on dealer shelves.

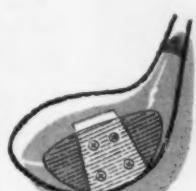
June sales of odd lots topped purchases, for the first time since December, 1954, and the trend has held good in the post-Iraq markets. Cynical bulls see a strengthening factor in this attitude of less-than-100-share operators, claiming that the "little fellow's" market judgment is rarely right. But the cynics would have a hard time documenting their case on the record since 1946.

The Big Board gaped last week when Bell & Howell stock shot up \$7.25, or 11½%, on trades involving 32,300 shares. Streeters said a prime force in the rise was a glowing report that went the rounds on B&H prospects, including estimates of earnings projected clear to 1962. There was one catch to the "plug": Its source was wholly unidentified.

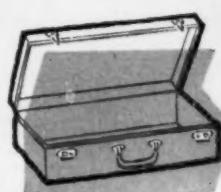
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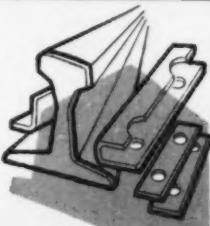
Welders' Helmets



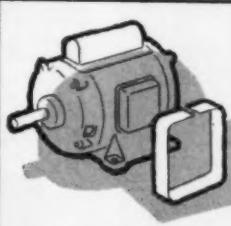
Golf Club Face Inserts



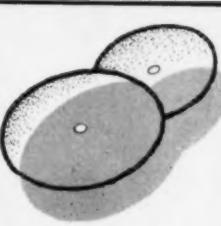
Carrying Cases



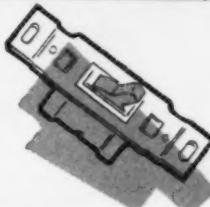
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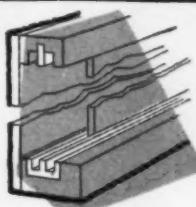
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IT&T Rebuilds Empire

Few companies that gross \$400-million a year are so narrowly known as International Standard Electric Corp. That's because (1) all its factories are overseas, although it is a U.S.-owned company, and (2) it is a subsidiary of a well-known big corporation, International Telephone & Telegraph Corp.

Yet ISE and its package of 24 companies in 20 foreign countries make the difference between IT&T the worldwide empire and IT&T the modest domestic manufacturer. Fast-growing ISE accounts for about two-thirds of IT&T's annual \$600-million sales, employs 93,000 of IT&T's total payroll of 128,000. Only General Motors Overseas Corp. is larger among U.S. com-

panies that make industrial products abroad.

- **Wheelhorse**—The crucial importance of ISE in the IT&T scheme of things explains why Gen. Edmond H. Leavey (cover and pictures), IT&T president, is again touring ISE plants in Western Europe, almost on the heels of a similar trip a month ago. Like the late Col. Sosthenes Behn—who traveled widely, talked intimately with foreign officials, and built IT&T into what it is today—Gen. Leavey keeps on the road much of the year.

In the tradition of the ex-military brass who successively have headed IT&T, Gen. Leavey says: "It's as important for the commanding general



PRODUCTS of International Standard Electric Corp. get inspection from Gen. Leavey (right), president of parent IT&T.

PROCESSES in German plant, such as winding relays, are explained by Manager Ernst Fricke (right).

on Overseas Manufacturing

to be seen as it is to see things for himself."

While mixing in public relations on tour, Levey is primarily a strategist who maps expansion plans to meet stiffening competition from ISE's big rivals, Sweden's L. M. Ericsson and West Germany's Siemens-Halske. At the moment, the results of Levey's work look impressive, for he has:

- Blueprinted a \$100-million plan for plant expansion in Western Europe, the British Commonwealth, and Latin America—following a successful five-year plan, just completed, that has raised ISE's book-value investment in plant overseas from \$90-million to \$190-million.

- Helped to snare a large engineering contract to design a radio-telephone network for NATO, the Western military alliance. It's to be a vast communications system, about twice as long as the \$145-million White Alice system covering Alaska (BW—Apr. 5'58, p136). And ISE already has orders for equipping the first stations—though it's likely that such companies as Philips of Eindhoven and RCA will also win some of the remaining business.

- **War Spurred**—In any case, war—and the equipment to fight one—plays a major role in IT&T's history and success. It has helped shape the company's growth.

After World War II, IT&T lost its subsidiaries in Eastern Europe to the Communists (and, later, also its subsidiary in Red China). This speeded up the prewar trend of getting out of the business of running telephone companies and into the more profitable field of making communications equipment. IT&T now depends on telephone and radio-communications companies overseas for only \$45-million—or roughly 8%—of its total business.

Going one step further, IT&T and its ISE offshoot have indirectly benefited from the past decade of cold war with the Soviet Union. At home, the parent company is engineering guidance systems for a battery of missiles—

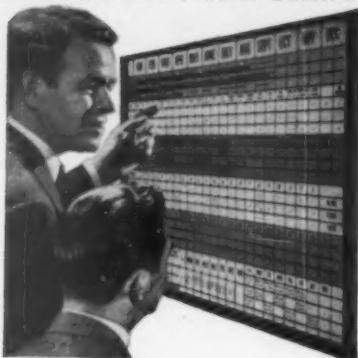


TOOLING is inspected by Fricke (left) and Levey. Like most other machinery in ISE plants overseas, this die press was bought locally.



TRAINING in West German plant is directed by Otto Lehman (left). He explains assembly procedures.

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Bomarc, Talos, Terrier, Titan, Atlas, and Lacrosse. In Western Europe, ISE is putting a sizable portion of its 4,500-man staff of scientists and technicians to work on high-priority military hardware.

• **Improved Business**—That explains, in part, why IT&T's over-all sales last year were nearly \$100-million higher than in 1956—despite a three-month strike in one of its largest U.S. plants. And this year looks even better.

The military picture doesn't end there. ISE has orders from France and West Germany to supply their armed forces with IT&T's Tacan (Tactical Air Navigation) system. (ISE gets about 7% of its business overseas through exports from its U.S. parent.)

ISE in its own right also hopes to get orders for some of Western Europe's first missiles in the early 1960s. It is aiming, too, for contracts to outfit European military aircraft with electronics equipment.

In four key countries—France, Italy, West Germany, and Sweden—that have or will have missile programs, ISE already operates large plants. In West Germany, it recently put Lorenz AG and Standard-Electrik AG under its direct management. This move, in turn, gave ISE closer control over Lorenz's 30% interest in Focke-Wulf, which may assume future importance as a builder of airplane (and possibly missile) frames.

• **Research Stress**—Backstopping ISE's push for military contracts is IT&T's vast research organization run by Henri Busignies (picture, page 64), a French scientist, with headquarters at Nutley, N. J. It's a two-way street, with ideas flowing back and forth between IT&T here and ISE's big labs in London and Paris. ISE's manufacturing plants also help by carrying on development work.

Prewar, ISE scientists in France originated basic radar techniques—and this head start has proved invaluable to IT&T in getting an early foothold in postwar missile work.

• **Patents Galore**—Not all the research and development, of course, goes toward top-secret communications systems and missile-guidance equipment. The U.S. post office in Washington, D. C., recently installed an electronic letter sorter developed by ISE in Belgium and marketed by IT&T here. ISE in Britain has come up with a revolutionary method of purifying silicon for semiconductors and, through IT&T, has given du Pont a 10-year license to use it for a large fee and royalty payments.

IT&T and ISE jointly hold 22,000 patents in 46 countries, and 1,800 trademarks and designs in 62 countries. In large part, that accounts for the company's top-speed growth in recent years. In 1937, its sales had amounted to about \$60-million—less than its sales in



HENRY H. SCUDDER, ISE president, began career with company 39 years ago.

West Germany alone last year. Now it has passed the \$400-million mark, with the fastest growth coming in the past four years.

• **Sales Pusher**—This growth coincides with Gen. Leavey's appearance on the scene. A West Point graduate, commissioned in the Army engineers, Leavey rose to become the Army's Chief of Transportation in 1945, later served under Gen. Eisenhower at NATO headquarters near Paris as Chief of Logistics.

In 1952, he joined IT&T as vice-president of its central research laboratories. In 1954, he took over ISE and boosted sales from \$200-million to roughly \$300-million in two years. In 1956, he replaced Gen. Wm. H. Harrison as president of IT&T. Henry H. Scudder (picture, above), who had been with ISE for 37 years, took over Leavey's spot at the head of ISE.

• **Postwar Troubles**—Gen. Leavey still has to contend with the troubles that hit IT&T at the end of World War II. The trick is to make the most out of an accomplished fact—the wave of postwar seizures of IT&T telephone properties by governments on both sides of the Iron Curtain.

IT&T was forced to sell out its phone companies in Spain and Argentina. Mostly through delicate negotiations by Col. Behn, then president, IT&T got dictator Franco and private Spanish investors to pay \$88-million for the company's Madrid subsidiary. It also swung a deal in Argentina in which dictator Peron's government paid \$97-million for IT&T's properties there.

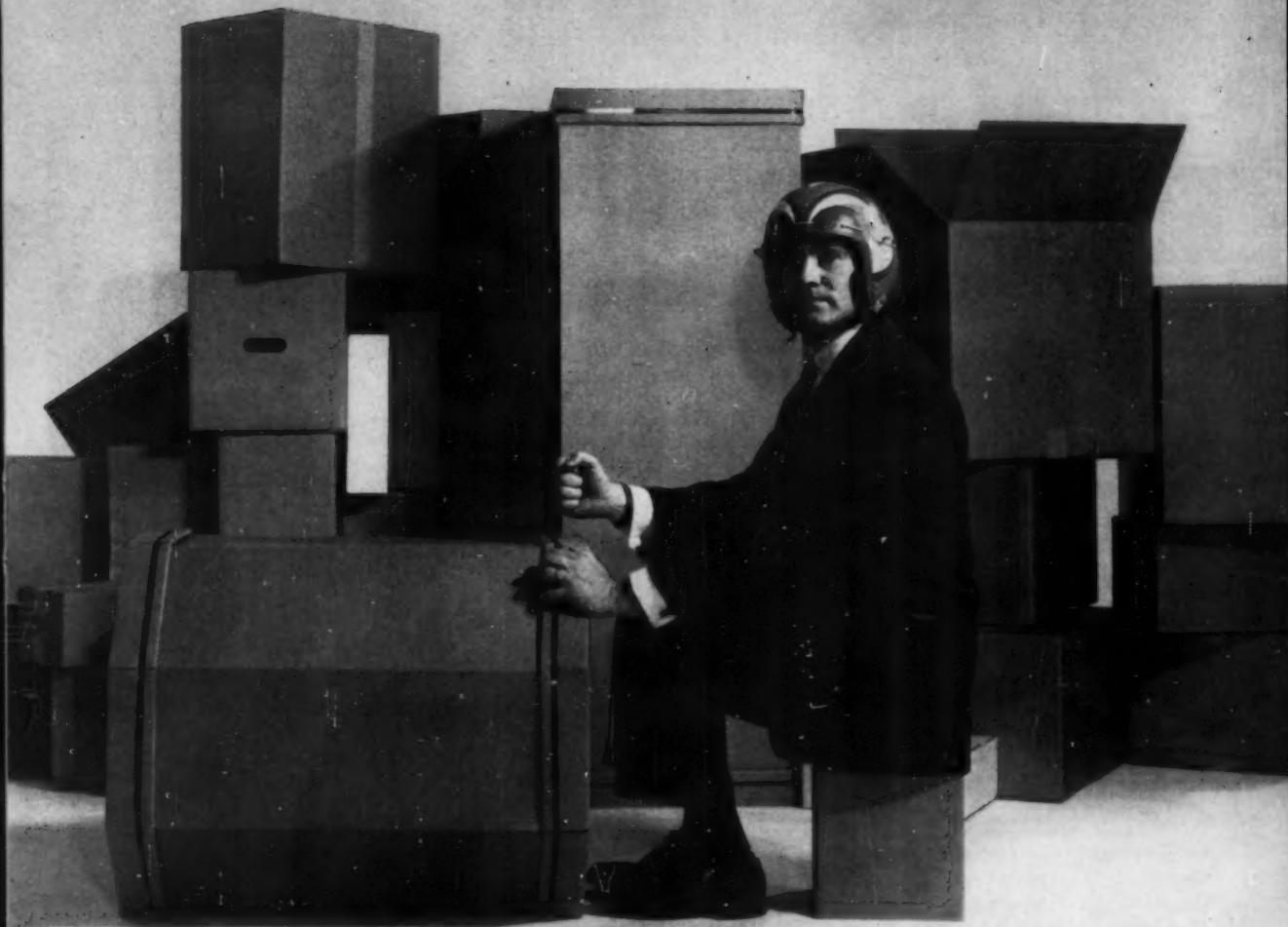
Since then, IT&T has capitalized on what was left in the two countries—ISE's manufacturing plants. Before the sellouts, these plants employed only 1,500 workers; now they have more than 10,000. ISE plants sell cable, instruments, and switchboard equipment

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to the nationalized telephone companies. Through exports, they also earn foreign exchange for the host governments—ISE's Argentine plant, for example, exports to Cuba and Chile.

• In Europe—The story isn't the same with IT&T's East European companies in Hungary, Poland, East Germany, Czechoslovakia, and Yugoslavia. Backed by the Communist governments, the companies that were seized from IT&T are providing rough competition for their former owner in some areas, particularly the Middle East. For instance, the former ISE company in Hungary recently beat ISE out of a \$2-million telephone contract in Syria. ISE thinks Soviet economic aid to Syria may have been the deciding factor.

On the other hand, the big-scale sales battle is between ISE and its main West European competitors—Ericsson and Siemens-Halske.

Their sales together are about \$35-million larger than ISE's.

• Shades of Kreuger—The sales fight with Ericsson dates back to the early 1930s. Ivar Kreuger, the Swedish financial operator, was ready then to sell out his controlling interest in Ericsson—and IT&T was eager to buy. Though IT&T had deposited about \$10-million in a European bank to cover the purchase, the deal never went through. Some bankers say IT&T's accountants found things they didn't like in Kreuger's books; other people claim that, with Ericsson so important to the Swedish economy, the Stockholm government would never have approved the sale anyway.

However, IT&T managed to get about 27% of Ericsson's stock, but not enough to control the company. This irks IT&T, for Ericsson boomed during and after World War II.

Based in a neutral country, the company continued to export, mostly to Latin America, during the war. Ready to go after the war, when there was a pent-up world demand for new telephone equipment, Ericsson pulled in one order after another and, in 1951, began inching into the U.S. market. Apart from Swedish defense orders, the company's sales last year added up to \$136-million.

About the only place where Ericsson and ISE are friends is in Mexico, where they jointly hold a 75% interest in the country's largest telephone company.

• German Rival—The newest—and perhaps toughest—rival is Siemens, which last year sold \$300-million worth of electronics and telecommunications equipment. Moving up fast since West Germany's postwar recovery, Siemens exploits to good advantage its position as owner of Siemens-Shukert, one of the world's biggest electrical equipment makers.

It also uses its diversified production



HENRI BUSIGNIES, French scientist, heads IT&T central research labs in U.S.

of appliances as an entering wedge to make telephone-equipment sales in foreign countries. ISE is much less diversified—refrigerators in Argentina, TV and radio sets in Australia, vacuum cleaners in Britain, and not much else beyond its basic line of civilian and military communications equipment.

• Offshoots Abroad—What diversification IT&T has is primarily an extension of its interest in the communications field. American Radio & Cable Corp., one of its subsidiaries, has offshoots in Britain, Spain, Puerto Rico, and five Latin American countries. These radio communications companies buy equipment from ISE. In addition, IT&T has telephone subsidiaries in Puerto Rico, Cuba, Brazil, Chile, and Peru. With American Telephone & Telegraph, it jointly owns a cable and an over-the-horizon radio and TV system between Cuba and Florida.

• No AT&T Link—Otherwise in its operations, IT&T has no connection with AT&T—and goes out of its way to make this point. (This week it even decided to drop the “&” from its name in press releases and publications.) Yet IT&T's subsidiary, International Standard, was originally under AT&T's wing. At the end of World War I, it was called International Western Electric—the overseas counterpart of Western Electric here. By 1925, AT&T was so busy at home that it sold IWE.

Behn's IT&T, formed five years earlier and already a fast-growing telephone and cable company, bought up IWE and renamed it International Standard (ISE). The oddest thing historically is that IT&T took over IWE to have an inside supplier of equipment for its expanding telephone-company network, while today the equipment end of the business is IT&T's big moneymaker. END



He fashions sales with telegrams: Stanley Marcus, President of Dallas' famed Neiman-Marcus, instructs his fashion buyers by speedy Western Union Telegram. And the telegram is a written record . . . no mistake about it!

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In Business Abroad

Chrysler Makes Deal With Simca As Entry to the Common Market

Chrysler Corp. finally has found a way to enter Western Europe's Common Market, potentially the world's largest auto sales area. That—and not the desire to sell small foreign cars here—is the main reason behind Chrysler's purchase last week of a 15.2% interest in Simca, France's second largest auto maker.

The deal makes Chrysler the sole U.S. distributor of Simca cars (present output: about 220,000 units annually).

At the same time, the deal gives Chrysler a European manufacturer that eventually may produce a Chrysler-designed small car specifically for the U.S. market.

General Motors and Ford own producing subsidiaries in both Britain and West Germany. Chrysler has had only a truck plant and assembly depots in Western Europe.

To get a foothold at Simca, Chrysler bought Ford's equity in the French company, probably costing over \$5.3-million. In the long run, it may get more out of the deal—possibly a three-way pact between Chrysler, Simca, and Italy's Fiat, which reportedly owns around 40% of Simca's stock.

In any case, Chrysler now will be able to cash in on the Common Market, slated to start functioning fully early next year.

Mexico's Labor Troubles Reach a Boil

As Rail Strike Cripples Industry

Early this week, a nationwide strike of railroad workers paralyzed almost all Mexican industry. Later, electrical workers employed by Mexican Light & Power and American & Foreign Power's subsidiary also threatened to strike. At midweek, both Mexican and U.S. businessmen were waiting for the crucial decision—whether the government would crack down hard on the strikers or continue the "soft line" it has followed since last December.

The rail strike is symptomatic of two troubles that are disturbing Mexico's recent labor peace:

• No one in Pres. Ruiz Cortines' lame-duck government has taken firm control of the labor situation since Labor Secy. Lopez Mateos stepped down last December to campaign for the presidency. He won the election a month ago, partly because of his skill as a labor mediator, but doesn't take office until next December. Meanwhile, beginning last February, the country has been hit by a wave of slowdowns and wildcat strikes. The rail workers two months ago won pay increases costing the government nearly \$17-million a year. Now they want less government interference in union affairs.

• Dissident unions, such as the rail and electrical workers, are trying to get out from under the wing of the "bloque"—the dominant Confederacion de Trabajadores de Mexico. CTM leaders have played footsie with the government for years and followed Ruiz Cortines'

belt-tightening economic policies. The dissidents claim union leaders are "getting fat" from their alliance with the government—and no longer are looking after the workers' interests.

In Pres. Aleman's time (1946-52), observers note, the government used the army to break a nationwide petroleum strike within one day. At midweek, Pres. Ruiz Cortines was using some troops on a few trains, but had not yet called out the army in full force.

Canadian Subsidiary of Rayonier Will Ship Sulphite Pulp to China

Last month's Eisenhower-Diefenbaker talks in Ottawa about trade between Canadian subsidiaries of U.S. companies and Red China have begun to show results—in Canada's favor.

This week Alaska Pine & Cellulose, Ltd., Canada's subsidiary of Rayonier, Inc., announced that it will ship 10,000 tons of bleached sulphite pulp, worth \$1-million, to Communist China. The deal reportedly has received Washington's approval.

The \$1-million order was arranged by the East-West Import-Export Co. of Vancouver. This same firm placed an order over a year ago with Ford of Canada to supply 1,000 cars to Communist China. The U.S. law prohibiting sales to Red China forced a sudden cancellation of the order, but it has been a political issue since then.

Now, apparently, Ford, General Motors, and Chrysler are prepared to export cars to China from Canada. This is in line with an effort to "relax" the law on a case-by-case basis. One of the companies reportedly has applied to Canada's Trade Dept. for an export permit.

Japanese Economists and Businessmen

Disagree on Recession Remedies

Japanese businessmen and economists are squabbling over how to correct the country's economic slump and get over the side effects of the U.S. recession.

Japan's main customers are the commodity-producing countries, which have been getting lower prices for their raw materials and smaller orders from the U.S. They already have started to buy fewer Japanese goods.

To bolster exports of finished goods, Hisato Ichimada, former Minister of Finance, wants the government to grant loans to Southeast Asian countries. To raise money, he says Japan should try to float bonds in the U.S., arrange loans from Washington, and encourage the flow of U.S. private investment in Japan.

The Bank of Japan, however, wants the country to sit tight. It views the current slump as the "natural" result of Japan's big investment boom in 1956-57.

Businessmen, led by Hayato Ikeda, former Minister of Finance, want government pump priming. They maintain it is essential for Japan to continue industrial expansion—or face real trouble, such as mass unemployment.

Prime Minister Kishi's financial advisers think Japan's industry has expanded too far and too fast. They wish to discourage expansion, since this would boost raw materials imports and drain foreign-exchange reserves.

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Modernize Now – For Growth and Profits

The biggest challenge facing American industry today is that of thoroughly modernizing its plant and equipment. This is the test period for companies to prepare for success — or failure — in the '60s. Success depends decisively on one key policy — modernization, for growth and profits.

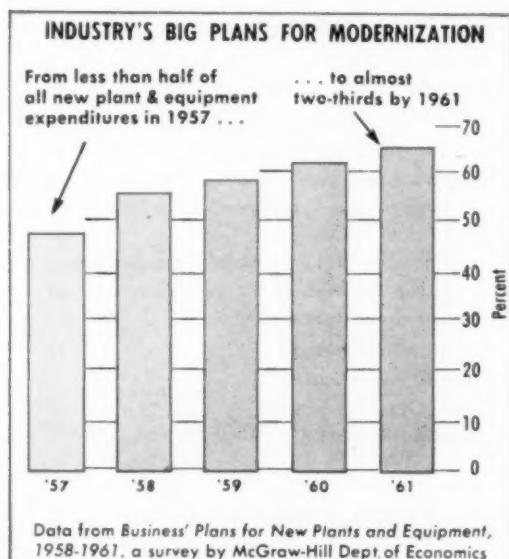
The problem of business recession is fading. Sales and industrial production are moving up again, slowly. Business is swinging back into its normal course. This is growth, not retreat and recession. If the recovery takes us back to the normal growth trend, industrial production will be up 15% to 20% by 1960.

But how can we get this growth in production without the plague of price inflation that has blighted our economy in recent years? And, of fateful consequence for the individual business firm, how can it keep its costs down enough to make a decent profit — something a very large share of American companies are not doing today?

This is the new challenge that confronts business as the recession is left behind.

Nature of the Challenge

The recent record on costs and productivity is not reassuring. Since 1947 wages in manufacturing have risen 68%, while output per manhour has gone up 32%. This is a dismal record for a nation that has prided itself on



gains in industrial efficiency. Clearly, if we are to avoid continuing inflation, labor must key its wage demands more closely to productivity increases. But clearly, also, we must do far better in raising output per manhour. Otherwise, industry cannot hope to offer stable prices, and still make a profit.

What, then, is the answer? It is modernization of plant and equipment, the replacement of obsolete producing facilities with new and more efficient machinery and buildings. Only in this way can industry hope to increase production, hold down costs and make a good profit showing in the years of growth that lie ahead.

Industry's Answer

The chart on the preceding page shows how American industry is buckling down to the task of modernizing its facilities over the next four years. It is planning to replace old equipment with new machines that will raise output per worker not just 2% or 3% a year, but more like the 5% annual gain in productivity that this nation achieved in the years following World War I.

Since World War II we have had to contend with shortages of capacity and materials that have held back the job of raising productivity. But today the machines and techniques are available. And industry is getting set.

A broad sample of manufacturing companies surveyed by the McGraw-Hill Department of Economics earlier this year reported these plans: **In 1958, expenditures for modernization will rise to 56% of total investment in new facilities — compared to 48% in 1957. And this emphasis will increase until by 1961, expenditures for replacement and modernization account for two-thirds of all capital spending by manufacturing companies.** In dollar terms, manufacturers will spend more on modernization in each of the four years 1958-61 than in any previous year except 1957.

Can It Be Done?

These are big plans. Can they be carried out? Is it too visionary to hope that after a decade of expansion, industry can now find the outlets for huge amounts of capital investment in the area of modernization? The answers are important to business and the nation, because on this new wave of modernization depends our hope of holding down costs and prices, and also the prosperity of the vital capital goods industries — generators of boom and bust in our economy.

To ensure that industry gets the answers, McGraw-Hill's 34 business publications are now starting a coordinated effort — the largest editorial effort in the history of our company — to find, report and publish the opportunities for modernization at a profit, in the fields we serve. These special reports will begin in late September and will run through November, with appropriate coverage for the specific needs of each field. We are proud to share with industry the responsibility for making sure that no opportunity is overlooked in the drive to modernize now for growth and profits.

This message was prepared by the McGraw-Hill Department of Economics as the first step in our company-wide effort to report on opportunities for modernization in industry. The Department is also preparing a longer report, on modernization as a national problem, for publication in October.

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Donald C. McLean
PRESIDENT

McGRAW-HILL PUBLISHING COMPANY, INC.

INTERNATIONAL OUTLOOK

BUSINESS WEEK
AUG. 9, 1958



The West faces a new round of troubles with the Communist bloc. In fact, the East-West struggle may get hotter in the weeks ahead.

Soviet Premier Khrushchev's decision to back out of a summit meeting within the United Nations rules out an early settlement of local problems in the Middle East. It also precludes any broad East-West deal for that region—for a long time to come.

Beyond that, the collapse of negotiations for a summit conference may foreshadow more explosions in the Middle East—and new Communist moves in other parts of the world.

The upcoming meeting of the U.N. General Assembly, requested by Khrushchev, will debate the international crisis, but accomplish little. Moscow and Washington will hurl charges back and forth. The talk will be mostly propaganda.

Washington doesn't believe that Khrushchev canceled summit plans because of his sudden visit with Communist China's Mao Tse-tung.

In Washington's view, the Soviet leader would have accepted a U.N. summit meeting only if he could use freewheeling tactics there. For a while, he thought this possible. But Pres. Eisenhower's note threw cold water on Khrushchev's hopes. It made clear that the rigid rules of the Security Council would be enforced. That, says Washington, is why Khrushchev backed down.

Mao may have supported Khrushchev's diplomatic switch. Mao is suspicious of any top-level meeting without Red China's participation. But Washington believes it's still Khrushchev who calls the shots. Nor do officials believe that the Khrushchev-Mao meeting will stir up new troubles in Asia.

Experts outside of the State Dept. give more weight to Peiping's influence.

They think that Khrushchev was ready to ease the Middle East crisis, in a manner similar to his sudden lifting of Soviet pressure during last year's Turkish-Syrian crisis. The West's recognition of the Iraqi regime favored such a move. But, observers say, Mao put a stop to that.

Instead, Peiping persuaded Moscow to:

- Block a summit meeting that did not include Red China.
- Support more brushfire moves—such as attacks on the Chinese offshore islands.

In this view, the General Assembly meeting plays a different role in Communist strategy. First, the Communist-Asian bloc may press for admission of Red China to the U.N.—even threaten to walk out to make their point. Then, during the session, Moscow may back new thrusts by Egypt's Pres. Nasser to pull a coup in Jordan and incite violence in Lebanon.

— • —

The Middle East is still made to order for pro-Nasser intrigues.

In Lebanon, a clash between U.S. Marines and the rebels would upset Washington's plans for a withdrawal of troops.

In Jordan, King Hussein's government, propped up by the British, probably can't stay in power for long—only a few more months, at best

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
AUG. 9, 1958

In Iran, opponents of the Shah are encouraged by the success of the Iraqi revolution and the West's recognition of the new government.

Washington doesn't have a revamped, long-range policy for the Middle East—yet. But the State Dept. and National Security Council are under pressure to study new approaches.

Underlying idea is to treat the Middle East as one area. This would lead to creation of a special agency, financed with large funds, to speed economic development. The agency would tackle the broad problems of controlling the waters of the Nile and Jordan rivers and of resettling Palestine refugees. The U.N. would play a permanent role in policing trouble spots in the area.

But the project is a long way off. Any change from established foreign-aid policies would need direct support from the new Congress.

U. S. relations with Latin America are showing signs of improvement.

During his quick trip to Brazil this week, Secy. of State Dulles agreed to hold an informal meeting with Latin foreign ministers, probably next month. That would pave the way for a "summit meeting" of Latin presidents and Pres. Eisenhower.

Washington is trying to put its relations with Latin American countries on a new footing—closer consultation on world political problems, quicker response to Latin requests for financial assistance. Dulles' trip to Rio and Dr. Milton Eisenhower's swing through Central America fit into Washington's campaign to woo Latin American countries.

One outcome of Dulles' Rio visit will be new loans for Brazil. These are almost sure to amount to \$235-million or more—from the Export-Import Bank, private U.S. sources, and the World Bank or International Monetary Fund. Washington also is likely to stretch out repayment schedules on earlier loans.

But Dulles didn't budge an inch on U.S. loans to Petrobras, Brazil's state-owned oil company. He said that private oil companies should do the job of helping Brazil overcome its \$300-million yearly deficit for oil imports.

Latin American oil companies are making deals on their own. Petrobras is negotiating with U.S. and foreign oil companies to finance as much as \$200-million worth of drilling and refining equipment. That somewhat parallels moves by YPF, Argentina's government oil company, for using U.S. companies to drill under contract—without concessions.

The Administration appears to have won its fight for a liberal extension of the Reciprocal Trade Agreements Act.

At midweek, House-Senate conferees agreed to a four-year extension, with a 20% tariff-cutting authority. They also gave the Administration the right to make cuts over the four years, except that no single year could exceed 10%. However, they agreed that Congress, by a two-thirds vote in each house, could upset a White House rejection of an escape-clause recommendation of the Tariff Commission.

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In Washington

Independent Offices Money Bill Vetoed Because of "Untimely" Pension Item

This week, for the first time in eight years, a Presidential veto was slapped on an appropriations bill. Pres. Eisenhower, irked at a proposed \$589-million payment for the civil service pension fund, vetoed the \$6.5-billion independent offices money bill in which the item was included.

Nearly \$5-billion of the total was for the Veterans Administration, the remainder for such agencies as the Federal Power Commission.

The civil service pension law provides for periodic federal payments into the fund. The President held that this was no year to make such a payment because the federal deficit likely will reach \$12-billion or more and the pension fund is in good balance for the short term. The Administration apparently suspected Democrats were trying to add to its fiscal embarrassment by pushing the deficit higher.

Congressional Democrats acknowledged they could not override the veto. House and Senate Democrats at midweek were considering retaliation that would keep the agencies operating by means of a "continuing resolution." This would limit them to the same amounts of money as they had last fiscal year—or some \$289-million less than provided in the vetoed measure.

Congress Votes Tighter Curbs On Low-Priced Foreign Imports

A little-publicized bill to authorize tighter curbs on low-priced foreign imports finally was approved by Congress this week. The bill consists of technical amendments to the 1921 Anti-Dumping Law.

If Pres. Eisenhower signs the measure, as expected, domestic producers would have an easier time winning protective tariff boosts on competing foreign imports.

The Anti-Dumping Law, originally passed to prevent European cartels from selling competing products in the U. S. at below-cost prices, works this way: Domestic producers may petition the Customs Div. of the Treasury to find that specific foreign goods are being "dumped" at less than "fair value." If the Secretary of the Treasury agrees, the case then goes to the Tariff Commission for a finding of either actual or potential injury. The Treasury Secretary then must assess higher duties based on the difference between current price and "foreign market value."

The bill passed by Congress would change the law to provide that the Treasury must presume injury when the Tariff Commission splits 3-3 in deciding the question. The measure also gives the Treasury greater leeway in

comparing prices on competing domestic and foreign "comparable classes" of items, and requires the Secretary to use a higher foreign price base in determining "foreign market value." The latter amendments authorize anti-dumping relief for a broader range of products and require higher anti-dumping duties when dumping and injury are found.

President's Reprimand on AEC Funds Angers Democrats on Atomic Committee

Hopes that the departure of Adm. Lewis Strauss from the Atomic Energy Commission would lead to a new era of good relations between the Eisenhower Administration and the Joint Committee on Atomic Energy were shattered this week.

Pres. Eisenhower signed the \$386-million authorization bill for AEC, but made it plain his Administration isn't likely to go ahead with some of the projects included in the measure. He objected particularly to provision for a \$145-million plutonium-producing reactor that civilian Defense Dept. heads have refused to endorse. The Joint Committee, a majority at AEC, and the uniformed Chiefs of Staff consider the facility essential from an atomic weapons standpoint.

Other items criticized by the President were: (1) a requirement that AEC begin construction of a gas-cooled power reactor in six months unless an acceptable "partnership" offer is made by industry; (2) design studies for four more reactors, which might be authorized by Congress for construction later; and (3) \$39-million for research facilities beyond what the Administration requested.

Key committee Democrats are convinced that Strauss—who now serves as the President's "Atoms for Peace" adviser—is behind the White House action. Strauss is known to dispute the Democrats' picture of themselves as the natural architects of atomic policy.

Major Shipping Lines to Participate In Operation of Nuclear Ship

The government is trying to whet the appetite of ships owners for nuclear-powered vessels. The States-Marine Lines and the Matson Navigation Co. will be the principal operators of the government's first nuclear-powered merchant ship, the Savannah, but other shipping lines will act as subagents for the ship at ports around the world.

Some 15 major shipping lines met in Washington last week to discuss the matter, as well as to talk over training a crew for the ship. Babcock & Wilcox, New York, will train personnel to operate the ship.

The Savannah, now under construction by New York Shipbuilding Corp., Camden, N. J. (not Sun Shipbuilding & Dry Dock Co. as reported in the Aug. 2 issue of BUSINESS WEEK), will be ready for service by early 1960.

What Selected Unions Pay Members Who Strike

Union	Declared Membership	Weekly Benefits	How Financed	Benefits Begin	Basis of Payments*	Are Nonmembers Ever Paid?
Teamsters	1,368,082	\$15	General fund	2nd week	Right	No
Auto Workers	1,320,513	\$12-\$30	Assessments	3rd week	Right	No
Machinists	947,000	\$35	50¢ month	2nd week	Right	No
Electrical Wkrs. (IUE)	364,870	Aid only	35¢ mon. min.	—	Need	—
Railway Clerks	329,288	\$15 max.	Gen. fund	3rd week	Right	No
Communications Wkrs.	270,000	Aid only	50¢ month	—	Need #	No
Meat Cutters	260,000	Ave. \$15	10¢ month	8th day	Right	No
Rubber Workers	190,000	No money	60¢ month	3rd week	Need	—
Oil, Chemical Wkrs.	182,000	Ave. \$10	15¢ month	4th week	Right %	Not after first contract
Street Rv. Workers	175,000	\$25 min.	25¢ month	3rd week	Right	
Pulp, Sulphite Wkrs.	165,768	Varies	20¢ month	—	—	—
Boilermakers	150,000	\$25 max.	30¢ plus	2nd week	Right	No
Papermakers	140,000	\$20 max.	32½¢ month	3rd week	"Relief"	No
Pressmen	110,000	\$20-\$25	Gen. fund	Immed.	Right	No
Typographers	101,714	\$24-\$36 min.	Assess.	2nd week	Right	Yes
Firemen & Enginemen	100,000	\$150 month up	Gen. fund	Immed.	Right	Yes
Chemical Workers	85,500	\$2 a day	25¢ month	3rd week	Right %	No
Locomotive Engineers	71,000	\$100 month up	Gen. fund	Immed.	Right	Yes
Plasterers	68,000	\$10	Gen. fund	3rd week	Right	No
Brewery Workers	65,000	\$5	40¢ month	4th week	Right	Yes
Bookbinders	58,600	\$32.50 max.	20¢-25¢ mo.	2nd week	Right	Yes
Upholsterers	55,000	Varies	10¢ month	3rd week	Need	No
Maritime Workers	50,000	No set amt.	Gen. fund	When needed	Need	Yes
Shoe Workers	50,000	\$15	Gen. fund	2nd week	—	—
Hatters	35,000	\$25-\$45	Gen. fund	—	Right	No
Flint Glass Wkrs.	35,000	\$25	Gen. fund	2nd week	Right	No
Tobacco Workers	33,361	\$5 min.	15¢ month	3rd week	Right	No
Air Line Pilots	13,750	\$350 to \$650 a month	Gen. fund	First mo.	Right	Yes

* "By Right" if all members are paid, regardless of need; "By Need" otherwise.

A typical plan: After 2 weeks, food; after 30 days, utilities, rent, notes; after 60, furniture and auto payments.

% All members collect basic benefits; some get more on a basis of need.

Date: National Industrial Conference Board.

© BUSINESS WEEK

A Walkout Needs Cash Behind It

United Auto Workers policymakers will decide in a matter of days whether the union should strike one of auto's Big Three. Major companies, whose production schedules on 1959 models could be affected, are on the alert. But, the most concerned this week are union members in the big auto plants. Their worry is financial—lost income from a walkout.

In good times, when the workers' cash reserves have been bolstered by overtime-inflated paychecks, union rank-and-filers give support to a strike. Now, it's different.

• **Endurance**—This has been recognized in UAW's go-slow strategy. The ability of a union to withstand a strike

depends in major part on its members' economic staying power.

For this reason, UAW and many other unions have programs of strike benefits and assistance (table). According to the National Industrial Conference Board, Inc., these programs "often become an important ingredient in determining whether a strike will be successful."

NICB—a non-profit, fact-finding agency—this week announced the results of a survey of 78 unions having a declared membership of 11-million, or about 60% of the national total. Its findings:

• Forty-three of the 78 provide strike benefits; of these, 30 including

the UAW have strike funds, the other 13 pay benefits from general funds. (UAW's strike fund, probably the largest, has topped \$38-million.)

• In the 30 with strike funds, the money is raised by earmarking a fixed amount of dues, in a few instances \$1 a month but usually 50¢ or less. According to NICB, "a considerable number of unions have recently increased the amount of dues designated for their strike funds."

• Strike benefits in 16 unions are a flat amount, ranging from \$5 to \$40 a week. But in most the amount paid varies according to a striker's marital status and number of dependents. For instance, the UAW will pay a single

striker \$12 a week beginning with the third week of a strike and continuing through the seventh, then \$15 through the 11th week, and thereafter \$17. For a striker with only a wife, the payments by UAW will run \$17, \$20, and \$23. For a striker with other dependents, benefits will be \$22, \$25, and \$30.

- Twenty-nine of the unions studied by NICB make the payment of strike benefits a matter of "right" rather than of "need." There is a growing trend toward such a policy in response to grass-roots demands for a system that (1) does not put assistance on the level of charity, and (2) does not help the improvident at the expense of the thrifty who have built up reserves, and who can't claim "need" for benefits. According to NICB, the policy of paying on a basis of "right" can "seriously curtail the ability of a union to strike [large] companies. An 11-week strike would cost [UAW] \$32-million at Ford, \$22-million at Chrysler, and \$80-million at General Motors."

- Most unions set some restrictions on the circumstances in which benefits will be paid. According to NICB, the most frequent are: the strike must be authorized by the international union, not just the local; the striking local and its members who receive benefits must be in "good standing"; and the strikers must be available for picketing and other strike duties.

- Strike benefits usually aren't paid the first week of a strike. Most unions (among those checked by NICB, 39 of 43) have a waiting period.

- While 43 unions of the 78 that replied to NICB's query pay strike benefits, the other 35 do not at the national level. Nine are unions of government workers or others who forego strike action. Of the other 26, the largest is the 1.25-million member United Steelworkers.

- Otherwise, unions that do not have formal strike benefits frequently have emergency aid programs for strikers—sometimes in cash for food, medical expenses, utilities, rent, and, to avert defaults, notes covering auto and other major purchases.

National and local strike benefits aren't the sole source of relief for those idled. In protracted walkouts, public and private social service agencies often assist hardship cases. Many of the large industrial unions, such as the Steelworkers, have trained service staffs to advise and help strikers get public aid. The reason the Steelworkers does this should be obvious: A walkout occurring in basic steel may involve a half-million steel unionists, and even USW's large treasury couldn't stand the drain of aid to strikers for very long. END

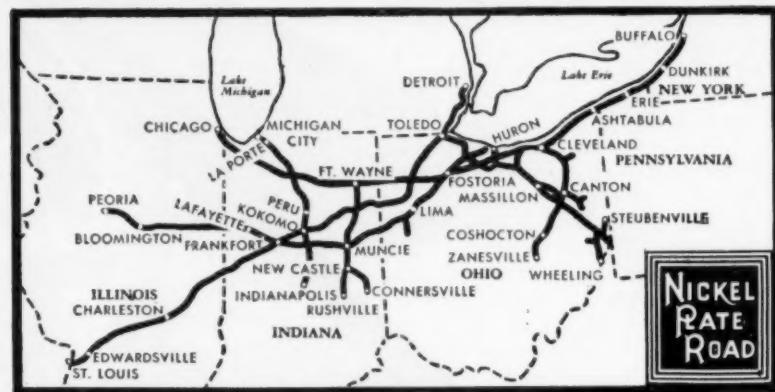


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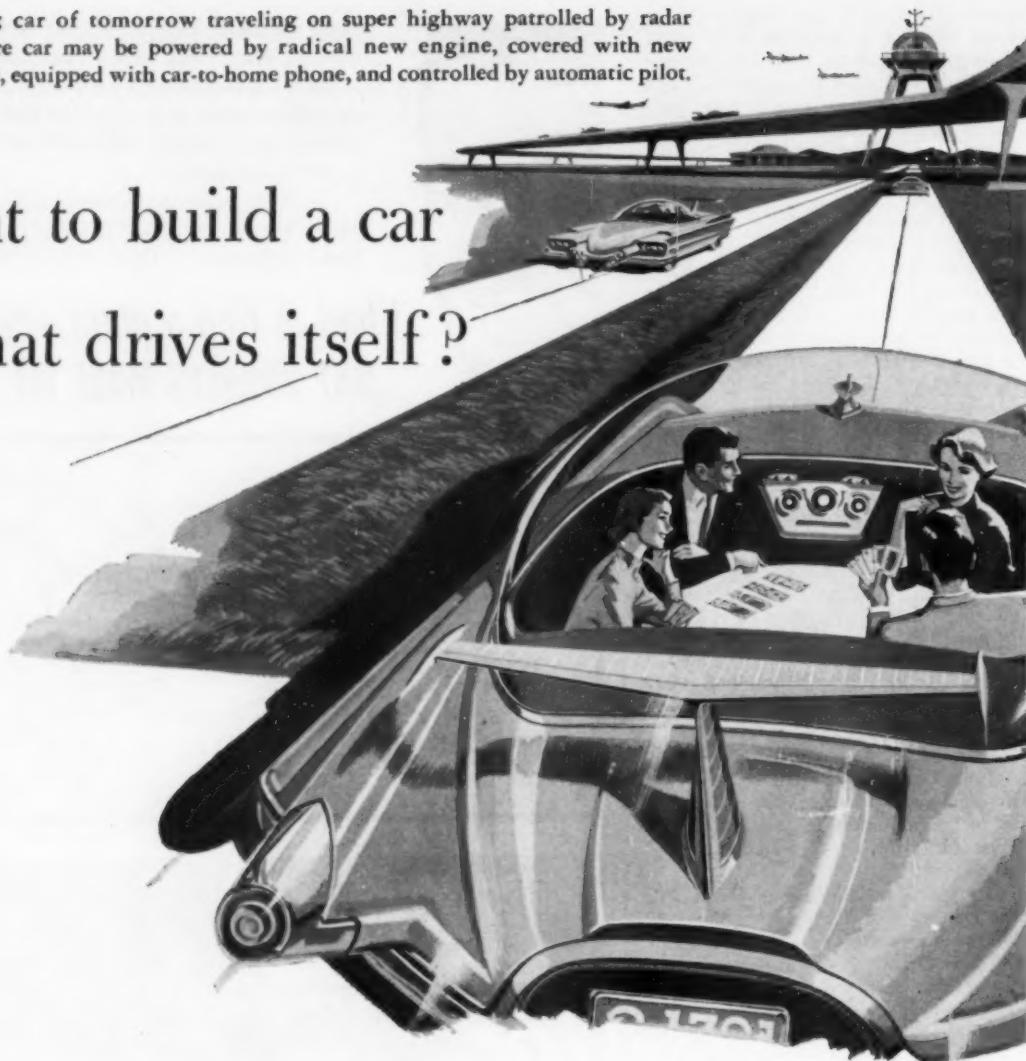
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In Labor

UAW Claims Wide Approval for Strike As Auto Executives Study the Vote

United Auto Workers' strike votes are worrying some Detroit executives. The union has announced these results of its polls: At General Motors, 115,973 working members voted for a walkout, and 10,410 voted against it. At Ford, the vote was 56,235 to 2,533 in favor of the strike. At Chrysler, with 37 out of 38 locals reporting, a walkout was approved by a 40,560-to-2,248 vote.

Some auto company officials were taking comfort, however, in analysis of the vote in UAW's Ford Local 600, one of the largest in the union. This local claims a membership of "over 50,000." Of that total, 25,000 members are working. The others have been laid off or are retired. Of those at work, only 16,661 voted in the strike election, with 15,498 approving a walkout. On the basis of these figures, UAW claims Ford Local 600 is 93% in favor of a strike.

But those approving a strike actually represent only 60% of the working members and only 32% of the total membership. Some observers believe that a somewhat similar ratio applies in the votes of the other locals. This, they believe, may explain Reuther's caution as the UAW approaches the time when it must fish or cut bait.

Democrats in House Hope to Bring Kennedy-Ives Bill Back to Life

The Kennedy-Ives labor reform bill isn't quite as dead as everyone believed. Although the House Education & Labor Committee virtually tagged the Senate-passed bill "dead on arrival," there was talk this week about a possible House vote on the measure.

Some of the Democrats in the House—and the AFL-CIO—have decided to campaign for a vote on the bill before adjournment. There is some hope that the bill may be called up under suspension of House rules. This can be done only on certain days and virtually requires the consent of Speaker Sam Rayburn.

The Texas Democrat is under a fair amount of pressure from his colleagues who wish to avoid charges during the fall election campaigns that Democrats hindered a clean-up of union corruption. However, not many people on Capitol Hill think the bill will pass.

AFL-CIO Industrial Union Dept. Tries to Police Jurisdiction Tiffs

Not many unions are engaged in extensive organizing campaigns today. But what few campaigns there are

often make for bitter wrangling between unions over jurisdiction. One such incident between the International Assn. of Machinists and the International Union of Electrical Workers—both members of the AFL-CIO's Industrial Union Dept.—led to a libel suit (BW—Dec. 29 '56, p70) because one union accused the other of harboring Communists.

To avoid this "mutual slander" in the future, the AFL-CIO's IUD executive committee last week adopted a Code of Organizational Practices. "No affiliate of the IUD," states the code, "should adopt policies, or engage in practices, deliberately designed to undermine public confidence in the trade union movement and to impede the organization of the unorganized."

IUD affiliates are warned against impugning the motives of competing affiliates or issuing "propaganda which charges or implies that another affiliate is guilty of Communism, racketeering, company unionism, back-door dealing, racial prejudice, unnecessary strikes, excessive initiation fees, dues, or assessments, or any other improper activity against trade union morality."

To secure compliance with the code, each IUD president is urged to appoint a personal representative to handle complaints arising under the code. The director of the IUD may attempt to obtain prompt compliance when a complaint is filed with the department. If he fails, the complaint may be referred to a committee for settlement and ultimately to the IUD executive committee for "appropriate enforcement."

Labor Briefs

Something new in picketing? Building trades unions developed a "hit-and-run" tactic at the Maple Drive Investment Corp.'s Atlanta office building project: By the time one injunction can be obtained, a different union has pickets around the building.

Outside the Taft-Hartley Act, barred from negotiating union shop contracts, and, with a few exceptions, from striking, the American Federation of State, County & Municipal Employees nonetheless is showing about the healthiest gains in membership of any labor organization. This month the union reported almost 200,000 members—an increase from 96,000 in 1956. It gained 27,000 through merger, the rest by intensive organization.

"Indefinite extension" of farm equipment contracts has postponed a possible strike problem for the United Auto Workers, leaving the union free to concentrate on auto negotiations. International Harvester Co. last week agreed to an extension, as have Deere & Co. and Caterpillar Tractor Co. The UAW-IH talks have been under way since June 3.

Average cost of fringe benefits in 1957, according to a U.S. Chamber of Commerce survey, was 21.8% of payroll, 47.4¢ per payroll hour, or \$981 a year per employee. Of 1,020 companies covered in the biennial survey, 97% reported payments for insurance programs at an average cost of 2.3% of payroll; 81% reported pension payments at an average cost of 5.1% of payroll.



A "sleeping beauty" rides out of the immobilizing tunnel at the Fremont, Nebraska, plant of Geo. A. Hormel Co.

New "sleep tunnel" allows painless slaughter of meat animals

The slaughter of struggling, squealing hogs, shackled and hanging by a hind leg from a conveyor chain, has been called "the most violent unit operation in food manufacturing."

Now it is different, and you will be glad to know there is a new, humane method. At a number of modern packing plants, the hogs are led onto a conveyor belt that carries them through a tunnel containing an odorless, non-toxic mixture of air and carbon dioxide gas (CO_2). In less than half a minute, each hog peacefully drops to sleep and rides out completely unconscious. One tunnel will immobilize up to 600 hogs an hour.

The system has advantages for the packer as well as the hog. It speeds

production and allows smooth, non-bruising handling methods that improve meat quality.

The "Anco-Hormel Immobilizer" was developed and first used in Geo. A. Hormel & Co. plants. It is manufactured and sold by Allbright-Nell Co., Chicago. Tests show promise that the process might be used for cattle and sheep.

The CO_2 concentration in the tunnel is controlled by a rugged Ranarex analyzing-controlling system made by the Ranarex Instrument Department of The Permutit Company.

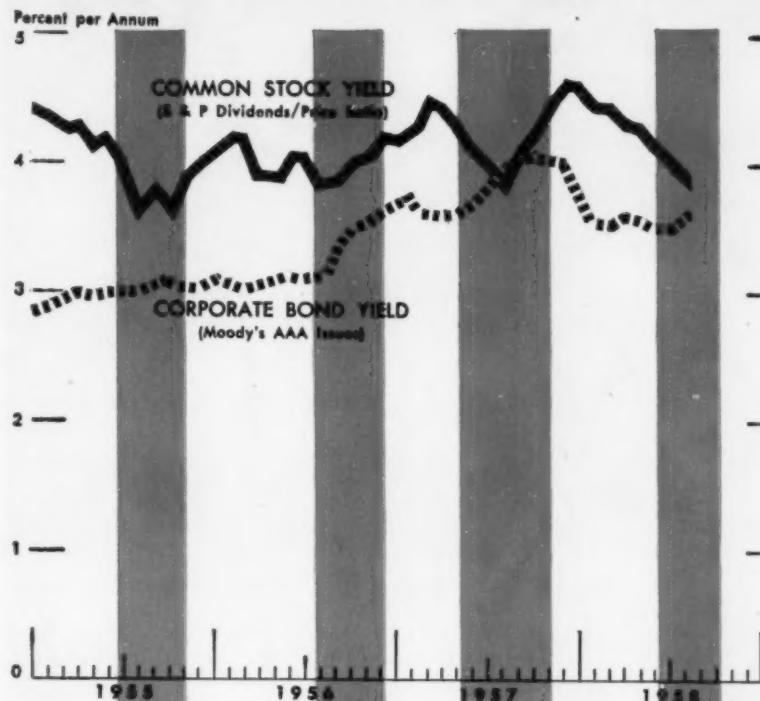
In other fields, Ranarex gas analysis instruments are used to cut fuel costs by analyzing flue gas, to prevent furnace explosions and improve product

quality in heat-treating metals and to help guide complex reactions in petroleum and chemical processing. For a Bulletin describing the full line of gas analysis instruments, write to Ranarex Instrument Dept., The Permutit Company, 50 West 44th Street, New York 36, New York, or Permutit Company of Canada, Ltd., Toronto 1, Ontario.

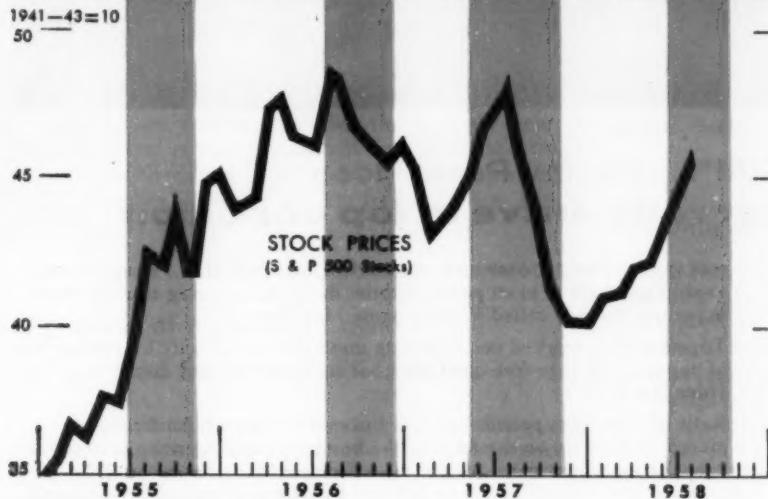
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THE MARKETS

The gap in yields is narrow once again



In the past this has signaled danger for the market



Data: Standard & Poor's; Moody's Investors Service.

An Evil Omen Returns

The charts above show that one of Wall Street's most ominous signs—a shrinking gap between stock and bond yields—is in evidence again.

- The current boom in stock prices has driven over-all stock yields down to 3.98% from 4.6% only eight months ago.

- Unsettled conditions in the cor-

porate bond market—strongly influenced by the gyrations of government bond prices—have caused AAA bond yields to drift upwards to 3.66%.

- As a result, the spread between stock and bond yields has narrowed to a whisker—only 0.32%.

Classical market theory says that if this gap gets too narrow, then the ad-

vantage in owning common stocks disappears—and money will flow away from the stock market into the bond market. Institutional investors such as pension funds require dividend income as well as capital gains in order to live. They tend to divert new cash away from the stock market if the stock-bond spread is too small, and a market slump is likely to follow.

Experience confirms this. In 1955 and 1956, when the gap narrowed to 0.5%, the market rise slowed perceptibly, and then the market had its first real decline since the beginning of the bull market (chart). The summer of 1957 saw the yield curves crossing for a brief period, with high-grade bonds yielding more than common stocks. This preceded the worst market decline since 1937.

- **Buying Fever**—There's one big difference now. Today's investors are not buying for yield. For the moment at least, rules and tradition are in the discard as everyone scrambles to buy common stocks.

Brokers report that they are being swamped with unsolicited "buy" orders from small investors—people calling to say: "I've got some money to invest—what should I buy?" Never before in history, says one broker, has the public fear of inflation and its steady erosion of purchasing power been so rampant and so widespread. The market today, the analysts add, is more like a numbers game than a valuation process.

- **Premium on Glamor**—This shows in the capriciousness of some of the market's choices. Glamor issues that are generally believed to have growth potential have been heavily favored. Other issues that lack the prospect of a rosy future have sold off despite good earnings and dividends.

Take, for example, what the market did on Jul. 23. On that day American Smelting & Refining Co. and the William Wrigley Jr., Co. announced first-half earnings. American Smelting, a current market favorite, had to cut its dividend for the second time in a year and indicated that there was doubt that even this lower payment would be covered. But the stock went up more than a point on the news. On the other hand, Wrigley, whose chewing gum sales have held up well during the recession, announced first-half earnings that covered dividend payments easily. This issue, yielding more than 5%, declined.

Observers say that when such anomalies persist a market correction is inevitable. In effect, the Federal Reserve Board, when it raised margin requirements back to 70% this week (page 26), was trying to impress investors with the growing disparity between prices and dividends and put a damper on any speculative binge. END



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In the Markets

Bond Traders Fear Tighter Money, Drive Governments Down by Selling

The government bond market, convinced that the Federal Reserve Board's boost in the stock market's margin requirements (page 26) is the forerunner of a new era of tight money, went through the wringer this week. Prices slid all along the list, with most of the long maturities hitting new lows for the year.

After the Fed's announcement, wave after wave of selling hit the bond market. To bond buyers, the boost in margins was a clear sign that new restrictions on credit were going to follow and they weren't going to be left holding the bag in the face of prospective federal deficits and the possibility of more inflation.

Government dealers also said that the Fed's retreat from its "bills only" policy has proved to be short-lived. The Fed has not followed through with any significant buying action to prop up the market, confining its buying mostly to treasury bills. In fact, the only important Fed buying in the last three weeks has been the purchase of \$1-billion of the new 1-year 1½% certificates which hardly supports the long-term market.

The majority of bond dealers are reluctant to predict any rally in bond prices—even over the short run. They say that there are simply not enough buyers to match the sellers. And as long as the demand for new money continues high, the market will continue to drift toward higher interest rates.

A few dealers, however, feel that the market's present disorderly state is more emotional than rational. One dealer notes that even if the Fed were trying to reverse its credit policy, it would not try to drive prices down as fast as they are going now.

Spreading of Maturities Called Key To Improved Bond Market Conditions

With the bond market undergoing a crisis this week, the firm of Aubrey G. Lanston, a major government bond dealer (BW—Jul. 12 '58, p100), has its own ideas of how the Treasury could better manage the national debt to improve conditions in the bond market.

Lanston feels that lengthening the debt should not be the only goal of the Treasury. More important, it feels, is the way in which debt maturities are distributed.

The firm proposes that all debt maturing in more than three years should be refunded—into notes (medium-term) and bonds (long-term) that would mature at a rate no greater than one major issue a year. At the same time, Lanston would like to see the size of the present 91-day Treasury bill issue expanded to \$39-billion from its present \$24-billion—and a new 182-day bill instituted, totaling \$13-billion. This would eliminate the issuing of Treasury certificates.

Lanston says that the resulting market for a substantially smaller number of issues would be far better than anything that could be expected today.

Furthermore, it adds, the U. S. should follow the lead of the current Canadian refunding operations. The Canadians start refunding issues before they come due, instead of waiting until the last minute and getting caught by unfavorable market conditions.

Wolfson Signs SEC Consent Decree Over American Motors Stock Deals

Louis E. Wolfson, Florida financier, has consented to a permanent court injunction barring him from transactions "which would operate as a fraud or deceit upon purchasers and sellers of American Motors Corp. common stock." Wolfson thus dodged a public hearing on charges of market manipulation, set by SEC for this week.

It's still not clear whether Wolfson is now free to cover his huge short position in AMC stock—estimated at more than 150,000 shares.

SEC claims that statements attributed to Wolfson about his stake in AMC stock were "false and misleading," designed to influence the stock's price. In effect, the consent decree bans further Wolfson trading in the stock while the public is still influenced by these statements. But Wolfson's lawyers claim that, since the charges have been aired, the public is now fully aware of Wolfson's position.

However, they also deny the SEC charges—and this is where the hitch comes in. For SEC counters that, as long as Wolfson persists in denying the charges, the public cannot fully understand the situation.

The Markets Briefs

The American Stock Exchange boosted brokerage fees last week by an estimated average of 35%. The increases are highest for expensive stocks, less for low-priced ones—in which most ASE trading is concentrated. Since brokers' fees will now be in line with New York Stock Exchange rates, it's expected that the hike will encourage them to do more trading on the ASE.

Rumors persist that Great Atlantic & Pacific Tea Co., shortly will consummate its plans to go public. These were reinforced with the appointment of Guaranty Trust Co. as transfer agent of A&P stock, and by another big jump in the price of the nonvoting stock, which is all that is now available to the public. This stock is selling at around \$385—up some \$144 from its year's low.

The recapitalization plan for Missouri-Kansas-Texas RR is still a long way off—despite assurances by top executives at Katy this week that they will recommend adoption of an ICC plan to exchange debentures for preferred stocks. One rail analyst says the plan "clutters up the capital structure," and "gives out lots of paper with low values."



Who's the Man to Send Abroad?

Techniques for screening applicants have always been shrouded in mystery. But most companies agree there's no scientific formula for staffing the foreign office.

More than 30,000 Americans work abroad for private U.S. companies. They are representatives of industries that produce over \$30-billion worth of goods overseas, or of trading corporations that add another \$30-billion worth of business.

Because overseas profits are so attractive—30% net return on sales is not abnormal—it's increasingly important to put the right man in these spots. Just take the three most obvious reasons:

- In overseas operations, a company tends to be judged by its few representatives rather than the men by the corporation they work for.

- Ineptness on the part of a representative can be expensive, since it's almost impossible to keep a close check on operations thousands of miles away.

- The cost of establishing a representative in a foreign country is high. In many cases, 25% to 50% salary differential is required in addition to travel costs. Oil companies, for example, figure that it takes \$50,000 a year to maintain an executive abroad.

For these reasons alone, U.S. companies tend to be hyper-cautious on the men they send overseas, often seeking out the very cream of their domestic staffs. And yet it has become increasingly obvious that current careful screening techniques aren't enough.

In spite of the growing knowledge of the rest of the world, veteran concerns in overseas work estimate a 50%

executive washout rate for new companies moving abroad. One in six fails completely, must be brought back quickly. One in five resigns before his contract is up. One in five does an "adequate" job. One in 12 does "better than average." The rest just drift through their contracts.

In New York, for instance, one company had to sweat out the problem of its Tokyo branch manager who embraced the flesh pots of Japan too enthusiastically. The manager lost the company friends and business, and had to be brought back to the U.S. Transportation, expenses, and contract terms cost the company \$50,000.

In Mexico, a top engineer had to be brought back at a cost of \$25,000 after two months. His wife had panicked at the strangeness of living in a country whose language she didn't understand. • **Reevaluation**—Obviously, U.S. business operations abroad have been successful despite these gloomy statistics. The problem now is to both keep them successful and growing, which means possibly more—and certainly "better"—men overseas.

As a result, men responsible for choosing their "foreign representatives" are now seriously trying to reevaluate their needs. Reluctantly they are coming to the conclusion that the man who has the "right" standards of behavior and talent, both business and social, to carry him to the top in Chicago, Los

Angeles, or New York may have precisely the "wrong" attitudes in an "alien" social and business environment. The dilemma for an American hiring official here: to pick a man who fits fairly well by American standards—yet will be adaptable enough to accept, and be accepted in, a radically different environment and still stay oriented to the primary purposes of his employer. Men like this, however, are hard to find.

I. Yankees Abroad

There's a trade word for what happens to Americans living overseas. It's "cultural shock," and to a certain extent, it hits them all.

First of all, different philosophic, moral, and living standards rock many of them back on their heels. Wives especially find it hard to adjust to an environment where supermarkets, super service, and super entertainment often don't exist. The second-class status of women in many countries irks them, too. They are thrown for company upon a narrow circle of friends. After one tour, many want to come home.

It isn't quite so difficult for the men. Business, though maybe conducted differently, is still business. Also, because of the demands of nationalism and because it's expensive to get U.S. personnel overseas, companies turn over the direction of foreign operations to a relatively small number of men. This in turn means they get top responsibility early—with high pay. But they also have to play by a different set of rules.

In many countries, for example, "gifts" to government officials and

awards of contracts are standard procedure. Whether they admit it or not, many companies abide by this practice. Those that do need a man who can carry through the deal smoothly, without putting the company on a hook—and without succumbing to the temptation to deal himself in.

• **Local Antagonism**—Then, too, the American abroad has to play the unaccustomed role of "foreigner." He has to prove himself and gain acceptance from sometimes suspicious and antagonistic nationals. The extent to which this holds true varies from place to place. It also depends on the number of dealings an overseas employee will have with natives as against other Americans. But often the automatic responses that worked so well at home don't apply.

For instance, a U.S. machinery company using American engineers at one of its Latin American plants faces a critical problem in quality control. Instead of the normal U.S. rejection of 5% for parts coming off the lines, the rejection rate is 25%. Yet a neighboring factory achieves a 95% acceptance. Company engineers haven't been able to enlist the cooperation of native workers, and don't know why.

• **On a Tightrope**—Another big problem in staffing overseas operations is that the home office frequently doesn't understand what representation it needs.

A glaring example is the American trading company in the Middle East that needed an interpreter. The field narrowed down to a naturalized American of Armenian descent. The Armenian was hired, and for years systematically alienated the company's Middle East contacts. It turned out that an Armenian accent is held in contempt in many Middle East circles.

An oil company in the same area got into trouble by importing a U.S. troubleshooter who located the trouble and bluntly set about eliminating it. But to the Arabs, the hard-headed American was an affront, to which they retaliated by complete uncooperation.

II. The Ideal Man

How should overseas companies go about choosing representatives?

Most companies admit that their choice is based on almost purely subjective judgment—usually by interviewers who have themselves worked overseas. Many veterans interview the wife also, to get her reaction to the overseas post. Others send the man and his wife on an inspection tour, so that they will have some idea of what they're getting into. Pepsi-Cola recently did this with a top management post.

W.R. Grace & Co., which employs 26,000 in its South American operations, solved part of its problem indi-



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Four T-1 Scroll Cases to Harness Water Power at Noxon Rapids

CB&I is furnishing four of the largest turbine scroll cases ever built in the United States—for Noxon Rapids Dam in western Montana.

The cases measure 24 feet in diameter and are fabricated of high strength, T-1 material . . . a metal which results in a savings of about 50 per cent in plate thickness for each scroll case.

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rectly. Of 400 non-nationals it employs, only 100 are American, almost 300 are European. The reason: Europeans adapt more easily to South American cultures, and settle down there for life—whereas many Americans want to come home after a short hitch.

- **New Yardstick**—But it's becoming increasingly obvious to personnel men that the conventional procedures used for hiring domestic workers may not be a good yardstick for foreign hiring.

Conditions abroad usually are exceptional—and require exceptional people. But what the "exceptional man" is baffles even the personnel experts. Most agree that what may be a misfit at headquarters may be the ideal overseas man. Such a man—because of reticence, curiosity, or detachment—can sometimes hit it off with foreigners more easily than his fellow executives at home.

Edward T. Hall of Overseas Training & Research—a Washington, D. C. company that specializes in foreign personnel—says there are several factors that good interviewers watch for. Here are some of them:

- Motivation for going abroad. Men who want to travel, study languages, or who are interested in foreign cultures and can prove it by displaying prior knowledge have a big advantage.

- Avoid men who are emotionally dependent upon parents or upon particular areas in the U. S.

- Watch out for prejudice. This is crucial overseas, where nationalism is rampant, and a representative's success may hinge on freedom from racial and religious prejudices.

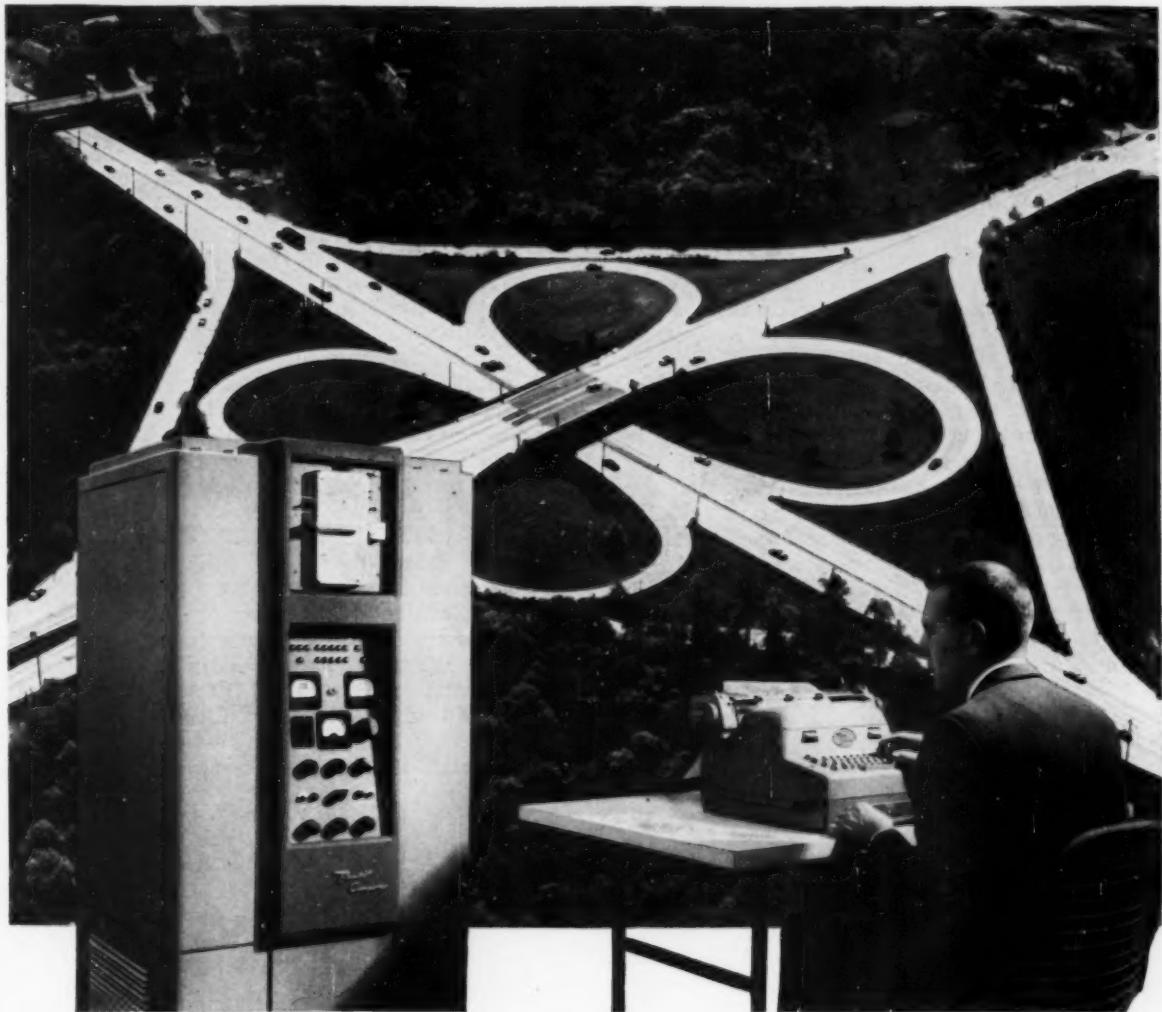
- Adaptability is essential, but it must be offset by a strong sense of American roots. Otherwise, he might be swallowed by another culture.

- Look for exceptional and even eccentric people who may have adjustment problems in the U. S., but who would fit into a foreign situation. Such people may include members of a minority race, those with unusual education, or a foreign background.

- **Tests Fall Short**—So far, psychological tests have proved of little value in picking a man. For instance, in 1948, Creole Petroleum Corp. gave a battery of tests to 396 of its overseas personnel. In 1956, it pulled out the tests, but found no correlation between job performance and adaptability.

Gail Oxley, assistant vice-president of W. R. Grace, also has reservations on formal tests. "Successful men adjusted to the realities of the situation down there, they did an excellent job, and personality tests wouldn't tell how they did it," says Oxley.

Companies and psychologists are still trying. General Electric International is trying to spot a predictable pattern of success in its overseas personnel. Hall is trying the same thing. END



HOW LOW-COST BENDIX COMPUTERS SPEED ROAD CONSTRUCTION AND CUT COSTS

Bendix G-15 Digital Computers are helping highway engineers break the log jam in the Federal road building program by saving thousands of hours of calculating time, in a variety of ways. For example, in Long Beach, contour maps are being made within hours by aerial photography and the aid of a G-15. In Lansing, a G-15 computes grade profiles in 1/20 the time of previous methods. In Syosset, weeks are being saved

calculating earthwork cut and fill with this Bendix computer. In Cincinnati, surveying is speeded up. Similar shortcuts are taking place in Springfield for computation of curves, spirals, traverse closures; in Pittsburgh for bridge designs; in Boston for cloverleaf geometrics. In Mobile, a G-15 is predicting traffic loads on highways for the next 20 years.

The versatility, reliability and simplicity of the low-cost Bendix

G-15 have been fully demonstrated over a vast range of applications. Programming techniques (instructions to the computer) can be learned in 4 hours. Exchange of information, a large library of programs and a nationwide sales and service organization are available to computer users. For details write to our Bendix Computer Division, 5630 Arbor Vitae Street, Los Angeles 45, California.

A thousand products



a million ideas

In Management

Slow-Motion Financing Gives Odlum A Chance to Control Summers Gyroscope

This week, Floyd Odlum's giant Atlas Corp. set in motion plans to become the majority stockholder of Summers Gyroscope Co., of Santa Monica, Calif., a supplier of components for the Defense Dept.—subject to second thoughts. Under a rather unusual financing plan, Atlas will lend Summers \$425,000 and then have the option of obtaining a share of stock for every 49¢ of debt that it cancels before the final maturity date in June, 1963. The option also includes a previous \$450,000 in loans made by Atlas and an affiliate. Under the new plan Atlas could obtain the rest of the stock needed for control by converting future loans of working capital and straight stock purchase options.

In this way, Atlas, which dropped merger plans with Summers last winter (BW—May 28 '58, p90) gets a chance to put in its money slowly and take a long, long look before finally taking over control.

Last year, Summers lost \$4-million on sales of about \$9-million overbidding, through contract cancellation, and write-offs. But Atlas feels that with good management the company can get a good share of the growing market for gyroscopes in missiles and defense jobs. To its credit, Summers has a good engineering staff and a brand new plant.

To pave the way for Atlas' stock conversions, Summers' stockholders voted to replace the present 1.5-million shares of \$1 par with a new issue of 10-million shares with a 10¢ par.

C.I.T. Financial Picks Up Picker, Radiation Equipment Maker, for Stock

After a year of negotiations, C.I.T. Financial Corp., the giant sales finance company (1957 operating revenue: \$229-million), last week announced a move into a new field. It acquired Picker X-Ray Corp. of Cleveland, a family-controlled producer of radiation equipment, for 341,063 shares of C.I.T. stock. At current prices this represents \$18.6-million, Picker's book value.

This deal is entirely different from the finance company's World War II purchase of two small electrical equipment producers for cash. C.I.T. bought those companies at a time when car sales were next to nil and it had excess capital on hand; later, it sold them off. C.I.T. predicts a big car year for 1959 and is going into Picker—for stock—because the company seems a sure-fire good deal, say officers.

Picker's total sales and profits are a well-kept secret, but you can get a hint of its earnings. C.I.T. currently earns \$4.27 per share. It bought Picker for 341,063 shares and expects the new property to improve this note, which means Picker's earnings are well over \$1.5-

million, possibly closer to \$2-million. By plowing new money into the company, cash-rich C.I.T. hopes to raise this figure even higher.

Pabst Buys Blatz Brewery, Jumps To Fourth Spot in the Industry

Pabst Brewing Co., a one-time top producer in its industry that gradually fell to a money losing eighth place, jumped back up to No. 4 spot and got a new president last week. It did so by acquiring Blatz Brewing Co. of Milwaukee, a subsidiary of Schenley Industries, Inc. (BW—Jul. 19 '58, p36).

The deal, which totaled close to \$16-million, involved \$11-million in cash, \$3.5-million in debentures, 200,000 shares of Pabst stock and options of 350,000 more.

It could make Schenley Pabst's biggest shareholder. Forty-four-year-old James Windham, president of Blatz, now becomes head of Pabst. Harris Perlstein remains chairman of Pabst.

Combined volume for the two companies, based on 1957 figures will be over 4-million bbl.

A major reason for the purchase, according to Perlstein, was to put Pabst into multiple distribution of major brands—a trend in the industry. Pabst gets control of an established market—and added plant facilities. Both Pabst and Blatz have breweries in Milwaukee. Blatz will be operated as a separate subsidiary.

Management Briefs

Diners' Club, international shop and restaurant credit card system, this week bought its rival, Esquire Club, a subsidiary of Esquire, Inc. (BW—Jul. 19 '58, p57). The purchase gives Diners' Club, with 680,000 members, an additional 100,000 card holders, and keeps Esquire Club out of the hands of competitors.

American Bosch Arma Corp. (BW—Feb. 1 '58, p84) has pulled another plum out of its inertial guidance system pie. The system Arma developed under a \$140-million government contract for use in the Air Force's Titan ICBM is going into the Atlas missile, too.

Avery C. Adams, 60, president and chief executive officer of Jones & Laughlin Steel Corp., adds a third title next month when he takes over the J&L board chairmanship from Adm. Ben Moreell. Although Moreell, 65, is "retiring," he'll continue as a director and a member of the executive committee.

Management at E. L. Bruce Co., the Memphis hardwood floor producer, lost out in attempts to get a preliminary injunction against take-over attempts by Edward M. Gilbert, his family, and Empire Millwork Corp., a company they control. The battle created the first authentic corner in a stock since the 1920s (BW—Jul. 5 '58, p22). Take-over of Bruce would substantially lessen competition in the hardwood floor industry, claimed Bruce, but the court disagreed.

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Vinyl lures that look alive



Enjay supplies Oxo Alcohols for Vinyl plastics from which manufacturers make these colorful duck decoys and artificial bait. Many a sportsman vouches for the natural look of these lures . . . high tribute to the outstanding quality of the raw materials used. In plastics, as in other fields, Enjay helps make possible tomorrow's products—today! Nine conveniently located offices stand ready to serve you.



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Production Increased



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from an injection press. Santay
Corporation pioneered in plastics
technology, creating special
machinery and processes. From
here, intricate, highly finished
plastic products are furnished to
America's most prominent
appliance manufacturers.



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Mobil

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27.1% no additional capital investment!

Santay Corporation finds new ways to increase production of plastics products with the help of Socony Mobil

Competition is at its fiercest in the plastics business. Any unnecessary overhead costs can cut the heart out of profits. For this reason Santay management continually looks long and hard for ways to cut downtime, increase production.

In 1954 a Mobil Correct Lubrication Program was installed throughout the plant. This comprehensive engineering service had these results, according to Santay's plant engineer: "The reduction in downtime, three years after the Mobil

program started, accounted for 27.1% increase in production *with no additional capital investment.*"

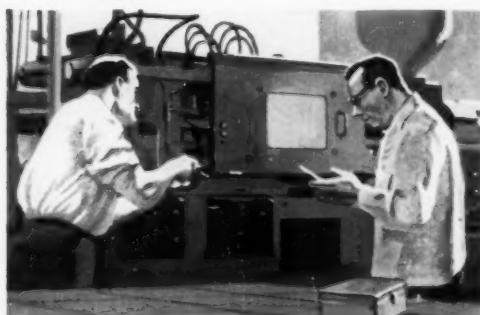
This outstanding result was achieved by close cooperation between Santay plant personnel and Mobil. Press operations were closely studied . . . lubrication procedures constantly improved . . . records prepared to show downtime and service frequency on every machine . . . cleanliness of lubricant carefully watched. All this help is *yours* when you rely on Mobil. Why accept less?



Problem: Downtime on a key press could result in a loss of \$250 per hour in product sales. *Cause:* Maintenance follow-through not fully developed. *Solution:* Plant-wide Mobil Program that cut downtime over 25% in first year.



Oil Control saves 40% on oil purchases. Under Mobil Program, hydraulic oil is reconditioned . . . oil checked regularly for viscosity and contamination. *Result:* Oil purchases kept to minimum, maximum machine protection assured.



Problem: Matching molds on injection press worked out of alignment. *Cause:* Excessive wear on toggle pins and bushings. Lubricant didn't stick to wear surfaces. *Solution:* Mobil recommended oil that "stays put" . . . avoided \$800 shutdowns.



Cost Control: Every machine has its control card. Alert watch is kept for press slowdowns, high maintenance. As a result, Santay maintenance personnel with Mobil assistance can move quickly to keep production high, costs low.

Correct Lubrication

Another reason You're Miles Ahead with Mobil!



Illustration Courtesy of BEECH-NUT LIFE SAVERS, INC.

How 'young thinking' has improved paint

We started to apply our broad knowledge of vinyl emulsions to paint in 1953. Only five years ago. This, after eight years' experience making vinyl emulsions for our adhesives. Which helped. For simply stated, paint is primarily a pigmented adhesive. A protective coating. One that must adhere to a wide variety of surfaces.

What happened? Vinyl emulsions—which are vinyl plastics emulsified in water—were successful. Water-thinned vinyl paint sales are zooming past 20-million gallons a year.

Vinyl paints now being formulated by leading paint companies are nonyellowing. Sunlight resistant. Nonblistering. Labor saving. First coats dry in twenty minutes. Second coats can be applied without shifting ladders or scaffolding. These modern paints are pleasant to work with. They're odorfree. Easy to apply with brush, roller or spray. Nonstreaking. Equipment cleans up in soap and water.

National is a pioneer producer of vinyl emulsions—not only for paint—but also for textiles, papers, chemical specialties and adhesives—a result of selective research and development.

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PERSONAL BUSINESS

BUSINESS WEEK
AUG. 9, 1958

Here's a quick review of some recent Internal Revenue Service rulings and Federal court cases that might dent your pocketbook—covering expenses, deductions, and touching on private clubs and charities.



There's more to nailing down entertainment expense deductions than good record keeping. A recent case points up this rule of thumb: If you entertain business contacts voluntarily, out-of-pocket, and are not reimbursed by your employer, you probably will be questioned on the deductions if you fail to submit evidence showing that your company requires you to entertain as part of your duties as an executive.

Without this kind of written evidence, the IRS is apt to claim that the expenses were your company's, not yours—and make the claim stick.

To encourage you to move to a new job location, your company pays all your family moving expenses. Is this payment taxable income or a tax-free expense? The answer, says a federal appeals court, depends on whether the company is your present employer or a new employer.

If you move at the request of your present employer, the reimbursement of moving expense is tax-free. (Should you spend more than the company allows, the extra cost is non-deductible; if you spend less, the difference is taxable income.) **But if a brand new employer pays the moving tab, the amount is taxable income—expense is non-deductible living cost.**

One way companies have been avoiding this result is by giving the new employee a "breaking-in" period before final location. This establishes the "present employer" relationship.

What if you ask your employer to transfer you to a new location? Here the company's payment of your moving bill is regarded as taxable income—even though you're an old employee.

Rulings on medical expense deductions are continually in the mill; here are two current items to keep in mind:

- A husband was advised by his wife's physicians to hire a domestic to help care for his children and house, so that his wife could get needed rest and relaxation. This he did—but IRS said the wage of the domestic is non-deductible in such a case because the servant does not directly care for the sick person. (If the domestic does nursing, then all or part of her wage can be deducted—she doesn't have to be a professional nurse.)

- Room air conditioners and similar cooling equipment can be a deductible expense—but not, as some people think, simply because they have a good effect on your health. To make the deduction stick, IRS cautions, the cooler must be prescribed by a physician as a treatment for an illness.

Private clubs and organizations also are affected by recent IRS actions. Here are two points worth noting:

- The IRS warns non-profit groups, such as country clubs and fraternal societies, that they may lose their tax-exempt status if they solicit "public patronage" to help bolster their treasuries. It's reported that tax officials have had a number of complaints from businessmen. Hotel men, for instance, have pointed to country clubs that sign up conventions and big non-member parties.

What can make this especially rough is that it's possible for the tax ex-

PERSONAL BUSINESS (Continued)

BUSINESS WEEK

AUG. 9, 1958

emption to be revoked retroactively—with taxes then due for back years.

• Reversing an earlier ruling, IRS now says it will allow delegates to veteran and church organization conventions to deduct their convention expenses as "charitable contributions." Though the ruling mentions only the American Legion and church groups, it should apply as well to other organizations to which one can make a deductible charitable contribution.

— • —

Margin requirements for buying listed stocks and bonds have been raised by the Federal Reserve from 50% to 70%, effective Aug. 5 (page 26). This means that a buyer must put up \$70 in cash for every \$100 worth of securities he purchases on a credit basis. A point to bear in mind: The new rule does not apply retroactively. Present "margin" accounts can be continued on the old 50% basis—though they may not be expanded by further borrowing unless a shift is made to the 70% requirement.

— • —

If you or your family are interested in learning the fine art of fly fishing or shooting, a few days at the unusual Forest Lake School in the Catskill mountains, 130 miles from New York City, may help turn the trick. Courses cover everything from woodsmanship, tracking, archery, fly casting, fly tying, and grouse hunting to how to prepare for an African safari.

There's a large deer herd on the grounds to enable the novice to observe the habits of big game and to note how they appear in the woods under varying light and weather conditions.

The school, situated on the former Jay Gould estate, has a mile of one of America's most famous trout rivers, the Beaverkill. A 30-acre private trout lake is available for fishing or canoeing.

Teaching is on an individual or family basis. The daily rate, including accommodations in a comfortable mountain cabin, is \$25 per person. Write to Forest Lake School, Livingston Manor, N. Y.

— • —

So far this year more than a half million visitors to United Nations Headquarters in New York have participated in the guided tours. Should you or some member of your family be planning a U. N. visit, a briefing by brochure in advance will be helpful. Write to Public Inquiries Unit, Office of Public Information, United Nations, New York, for a variety of free pamphlets; and to the International Documents Service, Columbia University Press, 2960 Broadway, New York 27, for "United Nations" (35¢).

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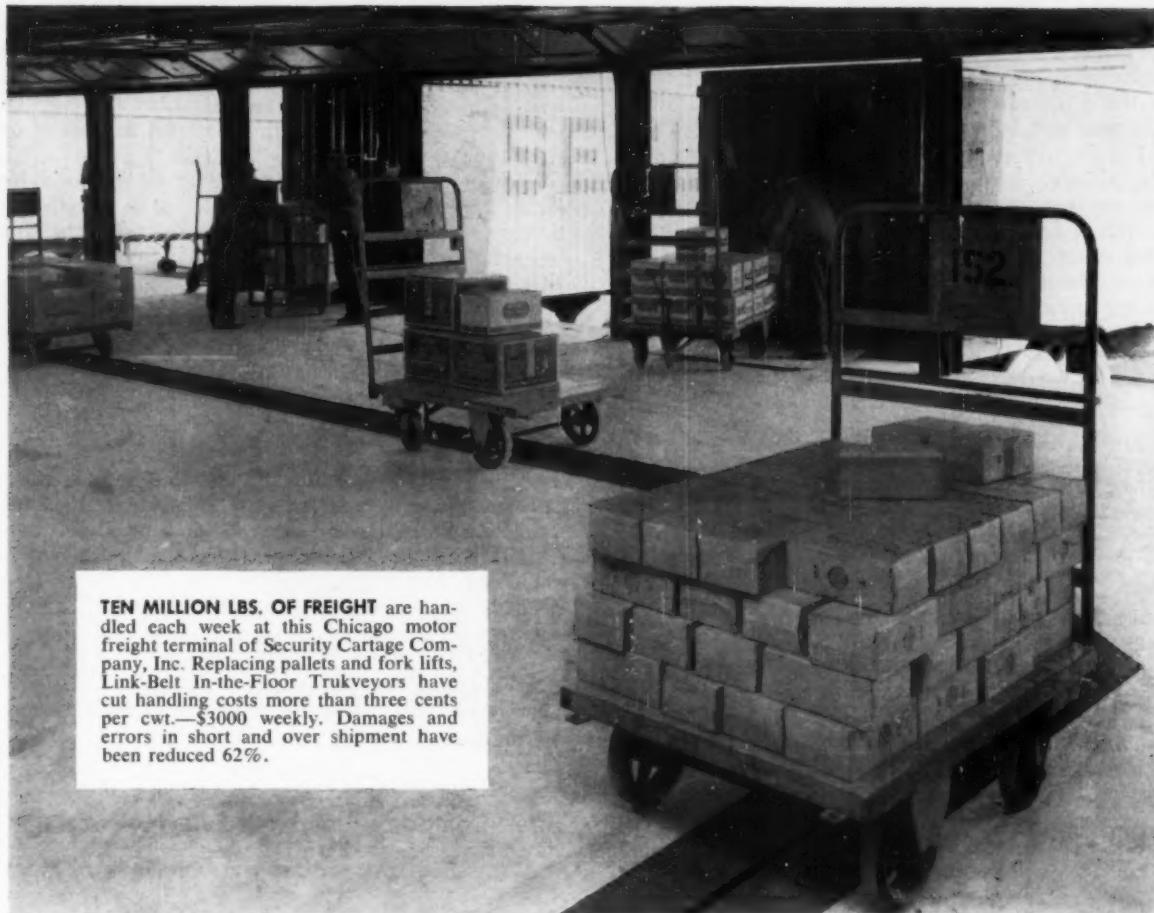
Warning: Dermatologists, who are less than pleased with the claims made for suntan pills containing 8-methoxysoralen (8-MOP for short), point out that the pills make you temporarily more susceptible to the effect of sun. Available by prescription only, the tablets must be taken in strict accordance with doctors' orders.

— • —

Announcement by the National Foundation (formerly the National Foundation for Infantile Paralysis) that its future will include fighting arthritis and congenital defects reflects the dramatic drop in polio cases: from 38,476 in 1954 to 5,894 in 1957—with only 1,056 cases reported for the first 30 weeks of the year, according to the U. S. Public Health Service.

LINK-BELT In-the-Floor savings plan

pays \$3000 weekly dividend



TEN MILLION LBS. OF FREIGHT are handled each week at this Chicago motor freight terminal of Security Cartage Company, Inc. Replacing pallets and fork lifts, Link-Belt In-the-Floor Trukveyors have cut handling costs more than three cents per cwt.—\$3000 weekly. Damages and errors in short and over shipment have been reduced 62%.

LINK-BELT Trukveyors speed handling, minimize damage, save space

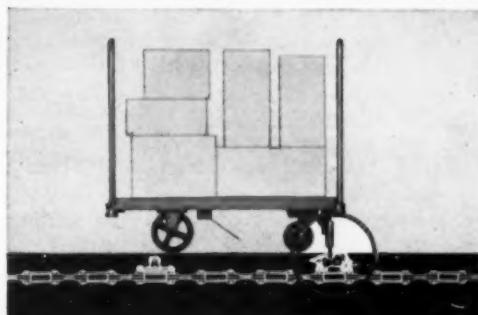
EXTRAORDINARY savings are a common story with Link-Belt Trukveyors. Where large volumes of freight are handled—in warehouses, terminals, production lines—Trukveyors provide unique cost-cutting advantages. They move smoothly through receiving, storing, sorting, shipping . . . with no congestion, minimum manual handling. They accommodate changes in floor elevation, execute horizontal turns, permit disengagement of carts at any point. For details, write for Book 2497: **LINK-BELT COMPANY**, Dept. AV, Prudential Plaza, Chicago 1, Ill.

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OPERATING MECHANISM of Trukveyor is out of sight but easily accessible. Cover plates and track channels are integral and removable. Trucks are readily engaged and disengaged.

In Research

Chemical Reactions Near Absolute Zero To Be Scanned With Aid of Super-Magnet

The most powerful continuously operating electromagnet in the Free World has gone into action as the first major installation in the laboratory that is being set up at the University of California for Dr. William F. Giauque, Nobel Prize winner in chemistry.

The magnet, about the size and shape of a small beer keg, is designed for experiments in the ultra-cold range near absolute zero (-459.6F). The little powerhouse can produce a field in the 100,000-oersted range, operating continuously. It can produce a homogeneous field over an area about 30 cu. in.

One application expected to yield useful results is the study of the "entropy" of chemical compounds. This characteristic (roughly, a measure of the order or disorder of a chemical system) is difficult to measure in the presence of heat. Reaction of materials to magnetic field under the no-heat conditions near absolute zero can provide entropy figures that will be useful in predicting chemical reactions that occur under more normal conditions.

More Versatile Transistors Sought In Study of Three Semi-Conductor Materials

Battelle Memorial Institute, in Columbus, Ohio, has launched a two-year program to develop new compound semi-conductors for high-temperature transistors and rectifiers. The program is sponsored by seven companies, including General Electric, International Business Machines, Philco, and Texas Instruments.

The work will be aimed at three semi-conductor compounds—indium phosphide, gallium arsenide, and aluminum antimonide. The researchers believe that the trio have properties that may offer more versatile performance than the earlier developments in germanium and silicon.

Allergy Immunization in Childhood May Bring an End to Hayfever Woes

The hundreds of thousands of people waiting the advent of the hayfever season with apprehensively twitching noses got the word this month that science may be nearing a breakthrough in easing the allergic plight of generations to come.

Dr. Rudolph L. Baer, of New York, reported that it may soon be possible to prevent later allergic reactions by treating babies and children. Baer said that tests have showed that if some animals are exposed to certain

allergens in the first days of their life they will develop a reasonable amount of tolerance or even immunity, at least for a while.

Up to now, the experiments have worked only for some animals and some allergens, but enthusiastic researchers say the point is now established that it is possible to endow an animal body with resistance to an allergen. The next step, they say, is to step up the resistance to the point of full protection.

Other studies, still inconclusive, also indicate that it may be possible to immunize humans to the allergens that beset them by a similar approach. It has been found that native Californians are much more susceptible as a group to poison oak and poison ivy than are residents of California who spent their childhood in Hawaii or the Far East.

Baer says that the difference cannot be explained by racial differences, but may be explicable by the theory that exposure in childhood to the more potent poison oak group in the Orient may have an immunizing effect. This theory still lacks experimental support.

Tests on Flies Hint Genetic Damage

Of H-Bomb May Last 26-40 Generations

Survivors of a hydrogen bomb blast may suffer genetic damage that will take from 26 to 40 generations to repair. In other words, had an H-bomb been used during the Crusades its damage to human reproduction would only now be disappearing.

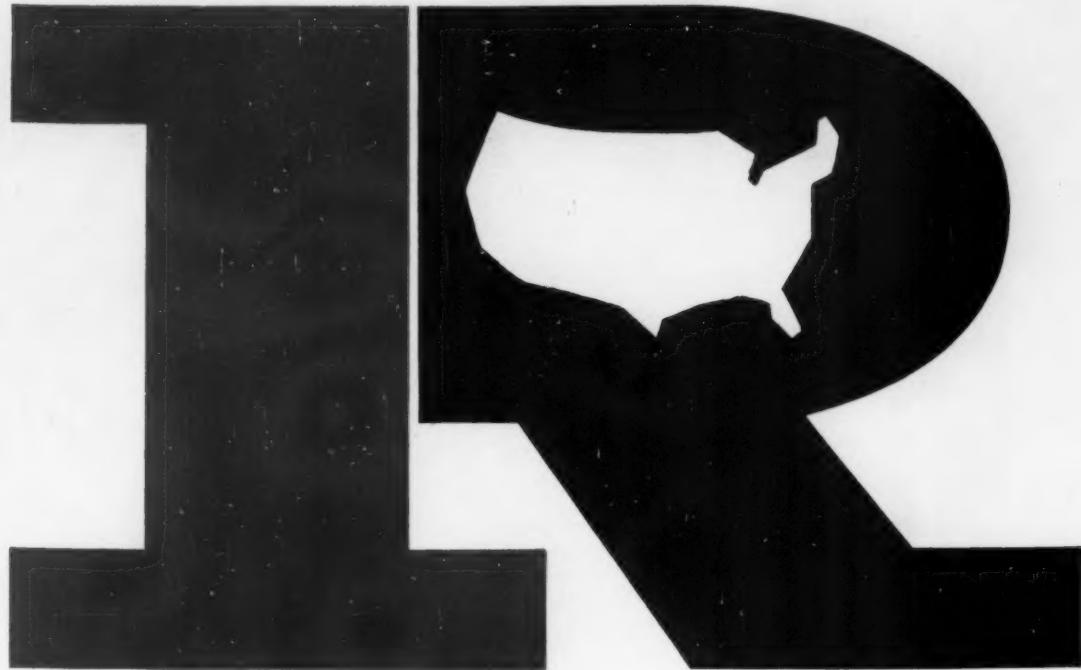
That's the projection worked out by Dr. Wilson S. Stone and Florence D. Wilson, of the University of Texas, who have been studying irradiated fruit flies collected at Bikini after the nuclear test blasts of 1955-1957. Their work was carried out under an Atomic Energy Commission contract.

Three-Company Combine Puts New Steam Into Missiles and Space Travel Development

A new three-company team is about to launch a joint research program in space technology. General Motors Corp., Callery Chemical Co., and Thiokol Chemical Corp. will combine their aeronautics knowhow to develop advanced guided missile and space travel devices.

GM, through its Allison and AC Spark Plug Divisions, will concentrate on air-breathing engines, guidance systems, missile components, and structures. GM's resources in science and engineering research also will be made available to the partnership. Callery Chemical, jointly owned by Mine Safety Appliances Co. and Gulf Oil Corp., will provide propellant components for space vehicles. Thiokol will specialize in the technology of solid and liquid fuel rocket propulsion systems.

Facilities of the three companies will be offered "for such projects and in such combinations as may be determined to be of greatest utility and benefit to the government and to world peace." However, the agreement does not restrict individual company research.



Ryder System means trucks! More than 10,000 vehicles of this growing, publicly-owned transportation system are serving all types of business from coast to coast. Ryder Truck Rental branches are located in key U.S. and Canadian cities; Ryder's motor carriers haul freight or bulk liquids in 20 states from New England to Texas.



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OBMOTHE

NEW PRODUCTS

Conveyor Belt Carries Miners to Pit

Coal miners ride a conveyor belt (picture) instead of an elevator into and out of the Panther Gulch (Va.) mine of Johnstown Coal & Coke Co. Called the Manveyor, the 26-in.-wide belt extends from the mine entrance down a 20-degree slope to the mining area 97 ft. lower. The men sit on the belt single file. Traveling at 150 ft. per min., they make the trip in 3 min. Johnstown Coal's experience shows the belt is more economical as well as faster than an elevator, too.

The Manveyor, developed by Hewitt-Robins, Inc., Stamford, Conn., has flat rollers rather than the usual trough type. Hewitt-Robins has also developed a new type of materials conveyor that is anything but flat: The idler rolls on which the belt travels are hinged and notched in "hammock-style" frames suspended on wire ropes on each side. The ropes also hold in alignment the prefabricated steel stands from which they're hung. The hammock arrangement automatically corrects off-center loading, minimizing spilling.



Potentiometer Measures Many Things at Once

Weston Electrical Instrument Corp., a division of Daystrom, Inc., of Newark, N. J., has a new type of recording potentiometer that simplifies the business of measuring many things at once.

A potentiometer amplifies and records electrical signals from instruments that measure electrical frequencies, temperatures, pressures, pH (hydrogen ion concentration), etc. The number of variables or points a recording potentiometer can handle is usually fixed. If you have a six-point instrument and want to measure 12 variables, you have to use

another six-point instrument, or set up an external switch. The more points a potentiometer has, the more it costs—so it's expensive to buy an instrument with a number of points you need only occasionally.

On Weston's new instrument, the number of points can be varied simply by changing a plug-in unit and a few related parts. A screwdriver will do the job without the usual refitting, rewiring, or rebuilding. It can measure any number of points up to 24. Cost: about \$1,500.

NEW PRODUCTS BRIEFS

Bulk commodities will be easier to handle with new semi-trailers. One version, made by Fruehauf Trailer Co., has a pump for lifting the product mounted right on the trailer; one model can blow 120 bbl. of dry cement 147 ft.—the height of a 10-story building—in less than an hour. Another, designed by Sprout, Waldron & Co., for Cosden Petroleum Corp., will handle 1,182 cu. ft. of polystyrene pellets and unload them at the rate of 30 tons per hour. Cost of the Fruehauf model: \$23,485.

A prefabricated laboratory for designing and building electronic equipment prototypes provides a 10-ft. x 20.5-in. work bench, tools, components, light and

electric power, and parts storage space. Manufactured by Alden Products Co., it's designed for use with Alden electronics components, but is not restricted to them. Cost: \$2,095 including Alden components priced at \$1,323.

Two new cellulose textile fibers have been developed by Courtaulds (Alabama) Inc., New York. Corval, priced at 40¢ lb., is intended to improve the appearance and drapes of other synthetic fibers, and for blending with wool. Topel, priced at 34¢ lb., is for use alone and in blends with cotton, acetate, and nylon. Both are long wearing and resistant to caustic alkalis, Courtaulds says.



Engineered by Tinnerman...

It's a fastener... It's a friction-lock...
It's a Tinnerman **SPEED NUT®** doing double-duty

Turn this Westinghouse Mobilaire® Fan to any angle... and it *stays* angled. The Tinnerman SPEED NUT Brand Fastener that holds the fan trunnions tight to the housing also supplies live spring-tension to keep the fan positioned at any angle you choose.

These SPEED NUT fasteners, developed by joint efforts of Tinnerman and Westinghouse designers, eliminate special adjusting thumb-screws. Only 2 SPEED NUT parts serve the purpose of several stampings and ordinary fasteners. Material and assembly costs are lower than with ordinary fastening methods. And the consumer gets a better fan that's easier to adjust.

Chances are that Tinnerman designers can develop SPEED NUT parts for your product to cut costs, speed production, improve that product.

Call your local SPEED NUT representative now... if he's not in your Yellow Pages Directory under "Fasteners", write to:

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FASTEST THING IN FASTENINGS®

PRODUCTION

Jets Move Into Company Hangar



JETSTAR, Lockheed Aircraft Corp.'s \$1-million transport designed for the Air Force, carries 10 passengers and is well-suited for use as a corporation aircraft.



ALREADY TESTED, but not yet in production, the Jetstar flies at 510 mph. and has a service ceiling of 45,000 ft. It can climb from 3,600 ft. to 6,000 ft. a minute.

Planes (pictures) that beat the traveling time and performance of the regular airliners are making a bid for business use.

Corporate flying, which has been climbing steadily since World War II, is ready to move ahead, at jet speed.

In Lockheed's new Jetstar, one of the fastest planes ever designed for corporation use, a businessman can make the trip from Westchester Airport outside New York City to Boston in 21 minutes. This jet transport and other new jet-type planes (pictures) offer business executives aircraft that can beat the traveling time and performance of the regular airliners while matching their comfort.

- **Wide Choice**—The new planes, some of which have not yet gone into production, fall into four groups:

- Straight jets of transport size, carrying eight or more passengers, that fly at 500 to 600 mph. Among these million-dollar airplanes are Lockheed's Jetstar and McDonnell Aircraft Corp.'s 119.

- Turboprops of transport size that fly at 300 to 400 mph. Included in this group are Fairchild Engine & Airplane's F-27, Grumman Aircraft Engineering's Gulfstream, and Vickers-Armstrongs' Viscount. They carry price tags between \$750,000 and \$1-million.

- Small jets that travel at 400 to 550 mph., such as North American Aviation's 6-place Sabreliner and Beech Aircraft's 4-place French import, the Morane-Saulnier 760. These cost from \$20,000 to \$400,000.

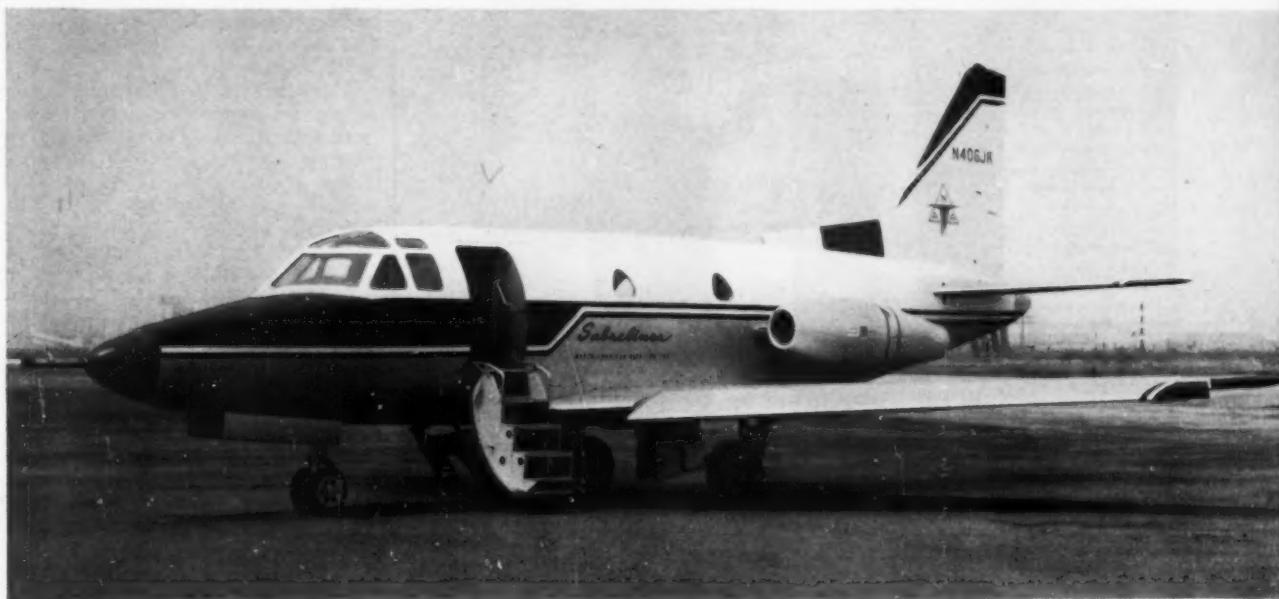
- Converted Convair transports that are expected to do about 326 mph. on their British Eland turboprops.

Manufacturers of these new jets report that American companies tentatively have signed up for over 100 of the big jet aircraft. That's a bigger order than appears at first glance. It's true that there are some 25,000 business aircraft of all types in the air today. But of this number only 3,000 are multi-engined planes, and only 800 of these are transport size Douglas DC-3's, Lockheed Lodestars, Beech Super-18's, and a few Convairs and DC-6's. These craft fly at speeds of from 200 mph. to over 280 mph.

- **Comfort and Prestige**—Speed is not the only advantage of the new planes. Greater comfort is a big factor, too. The jets will have pressurized cabins, making it possible to fly at high altitudes to get above bad weather. In



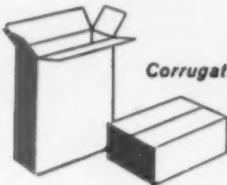
MORANE SAULNIER 760, a French plane imported by Beech, carries four persons, cruises at 400 mph.



SABRELINER is another fast small jet. Built by North American for the Air Force, it does better than 500 mph.



F-27 FRIENDSHIP is a turboprop that flies at 300 mph. It is large enough to carry both cargo and passengers.



Corrugated Fibre Boxes



Corrugated Paper Products

HOW STACKABILITY SAVES SHIPPER'S MONEY



PHOTO COURTESY AMERICAN WINDOW GLASS COMPANY



SPACE SAVER

Nearly 30% space saving is made possible by neat corrugated containers for glass. Wood crates for same products are shown at left.

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addition, they will come equipped with built-in air conditioning that works when the plane is on the ground as well as aloft.

The potentially greater reliability of the turbine-type engines over that of piston engines is another very important point in their favor. Not to be discounted, either, is the prestige value of owning a jet.

• **Cost Comparison**—There are drawbacks, too, of course. The biggest is the initial outlay. Compared with \$750,000 to \$1-million for one of the larger jets or turboprops, a reconverted DC-3 costs only around \$250,000 and a Lode-star even less. The higher price results from the greater complexity of the jets and turboprops, the need to build stronger pressure-tight fuselages, and the rise in labor and materials costs since World War II.

Operating costs of the new planes would be competitive in some cases with conventional planes. The per mile cost of operating a DC-3 used 600 hours a year is around \$1.10. Cost studies indicate the new turboprops can do as well—provided they are used efficiently. That means trips about 500 miles long. This is a fairly important qualification, since most business flights run under 500 miles. Lockheed also is quoting the \$1.10 figure for its Jetstar, a straight jet. But this figure can be attained only on trip lengths of 1,500 miles. On flights as long as that, the jet can get up into thinner air at 40,000 ft. On the shorter hauls, it might be forced to fly at lower and denser altitudes—and fuel consumption and costs would skyrocket.

The need and resources of the company that wants a jet in its hangar will determine the specific type it buys. Conceivably, those companies operating more than one aircraft (less than 30% of the total) will integrate more than one type into their new fleets.

• **Speedster**—Speediest of the new planes is Lockheed's 10-passenger Jetstar. Its cruising speed is about 510 mph., its service ceiling 45,000 ft., and its range 1,800 miles. A price tag of around \$1-million also makes it the most expensive of the new planes. The prototype, which has been flying nearly a year, is powered by two Curtis Wright TJ-38 engines. A four-engined version, incorporating the new 2,000-2,500-lb. thrust Fairchild J-83's or General Electric J-85's, also is expected to be offered (BW-Dec. 21 '57, p82).

A dark horse entry in the same class is McDonnell's 10-passenger Model 119. Company officials are keeping this plane under tight wraps, but according to authoritative reports it is scheduled to make its maiden flight later this summer.

• **Production Hitch**—Both the Jetstar and the McDonnell 119 were designed

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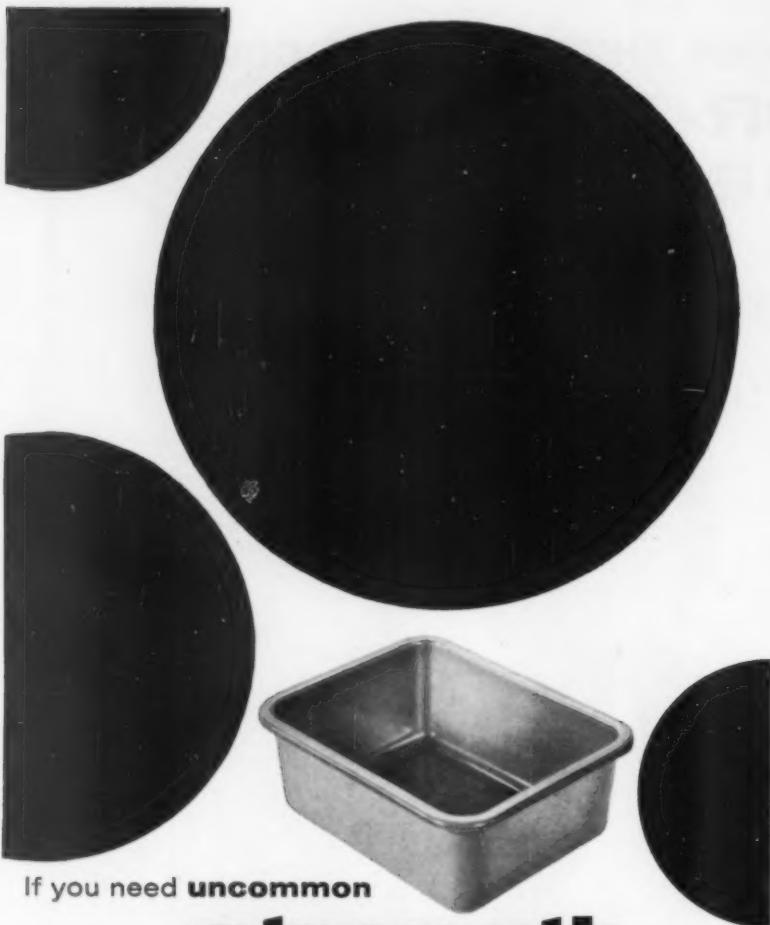
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primarily to fulfill Air Force requirements for a small fast cargo and personnel transport. There's a 50-50 chance that without a sizable Air Force contract neither of these planes will go into production. The thinking at present is that civilian orders alone wouldn't make it worthwhile. There is some speculation, though, that mounting interest in the Jetstar might convince Lockheed to go ahead anyway. The company says that some 60 companies already have asked to be put on the list for it. Should Lockheed decide to wait for an Air Force contract, however, it would be well over two and a half years before it could produce a civilian version of the jet.

- **Turboprops**—To counter the glamorous but expensive appeal of the straight jets, the turboprop manufacturers stress the over-all economic advantages of their planes for the shorter range flying that takes care of most business needs.

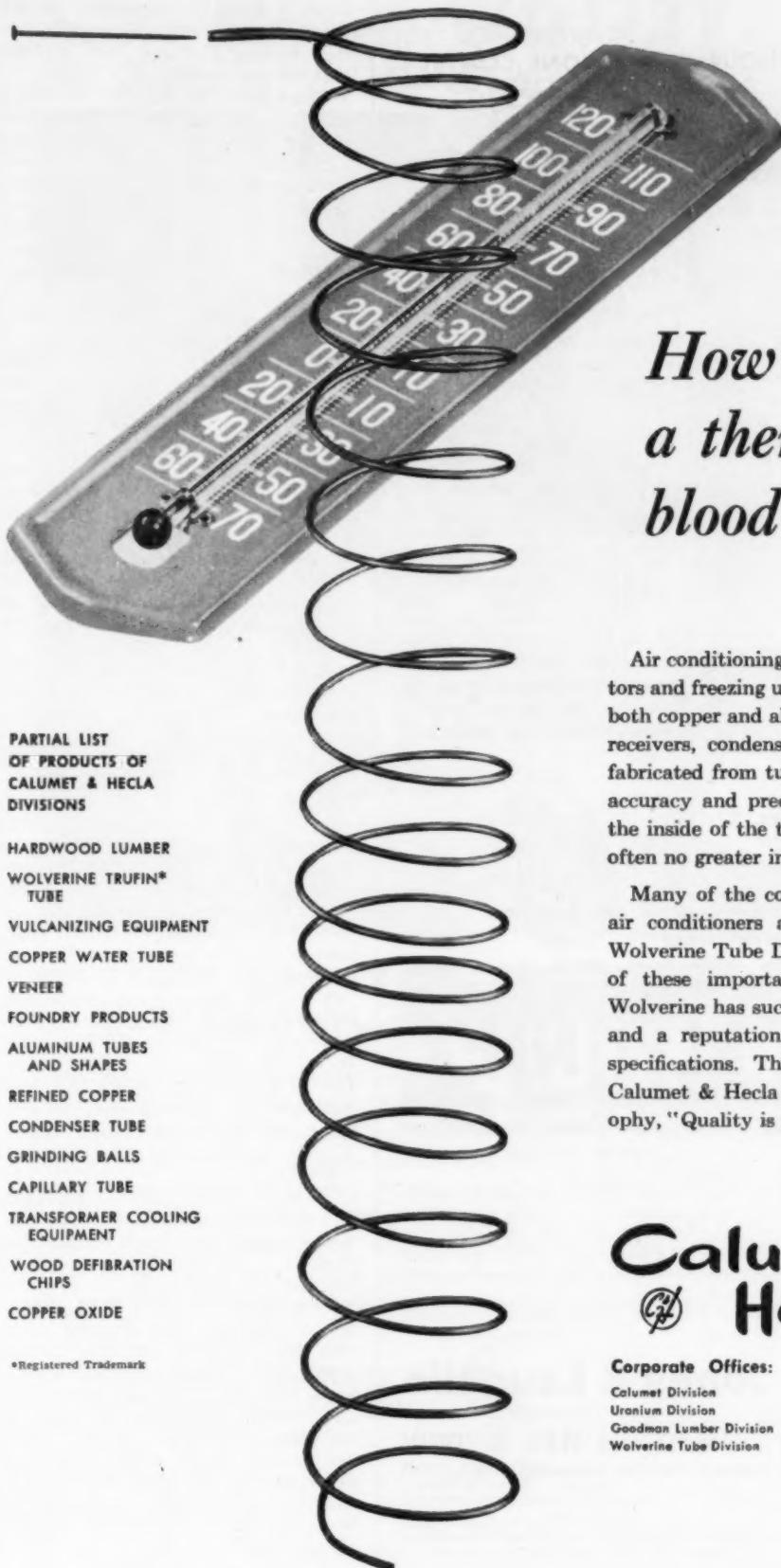
Grumman's 360-mph. Gulfstream turboprop carries six to 12 passengers, has a 36,000-ft. ceiling, a range of 2,200 miles. It costs close to \$900,000. Grumman reports 27 orders for the Gulfstream, with first deliveries scheduled for about a year from now.

Fairchild also is touting its F-27 Friendship, which sells for \$750,000, as a corporate aircraft. An executive version of the F-27 probably will carry 16 passengers. The plane will have a range of 2,250 miles, a ceiling of 29,000 ft., and a cruising speed between 280 and 300 mph. Although corporate planes, on the average, carry four or five passengers, the larger F-27 could fit in nicely with the flying-squad type of sales promotion tours now coming into vogue with management. The plane can also be used as a combination cargo and personnel carrier with the addition of a cargo door.

The turboprop engines in both the Gulfstream and the F-27 are 2,100-hp. Rolls-Royce Darts. This is basically the same engine used in Capital Airlines' and Trans-Canada's Viscounts. Rolls-Royce plans to bring out more powerful versions of this Dart engine, which gives the F-27 and Gulfstream a built-in growth potential in both speed and range.

The \$1-million 330-mph. Viscount also has been offered in this country as an executive plane, but with limited success. The only companies owning Viscounts are Standard Oil of California and U.S. Steel, which has three.

- **Converted Transport**—In the same size and performance class as the Viscount is still another turboprop, Convair's 540. It is designed to cruise at 326 mph. and carries 10 to 20 passengers. This plane is a Convair transport fitted with British Eland engines. No companies have signed up to take the converted plane yet. But if the



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Canadair Div. of General Dynamics, which is doing the converting, can sell the airlines on putting jet engines into their existing Convairs, then it might also sell executives, too.

• **Small Jets**—The company wanting a jet plane of less than transport size can get one without sacrificing speed or comfort. The small jets just about duplicate the performance of their bigger brothers. They also come equipped with air conditioning and pressurization systems that enable them to climb to 25,000 ft. and higher. These planes are considered especially suitable for smaller companies having only one plane, where the boss may do some of the flying. But larger companies with scattered properties may also want them for shuttling second-echelon executives and key technical and sales personnel around.

Beech Aircraft Corp.'s French import, the 403-mph. Morane Saulnier 760, is the only one of the smaller jets available right now. The plane is powered by two Turbomeca Marboré II engines. It has a seating capacity of four (including the pilot), a range of 1,000 miles, and a service ceiling of 25,000 ft.

The \$210,000 purchase price of the plane includes training courses for the pilots and mechanic, but does not include radio equipment. One plane already has been sold to Henry Timken of the Timken Roller Bearing Co.

North American Aviation has developed a small, four-to-eight passenger jet trainer design for the Air Force that looks like a good bet for the corporation aircraft market. But here again, several hundred planes would have to be sold to the military before the company could turn out a civilian version economically. Designed to cruise at 500 to 550 mph., North American's Sabreliner has a cruising altitude of 41,000 ft. and a range of 1,500 miles. It will be powered by two General Electric J-85 engines. North American has not yet set a price for its plane, but the industry guess is that it will be between \$200,000 and \$300,000.

Strongest selling point for the light jets is their low initial cost and their low operating cost. Beech Aircraft, for example, is quoting a 42¢ a mile figure, based on 600 hours a year of use.

• **How Soon?**—Not everybody, naturally, is convinced that jets will move into the corporate aircraft field as rapidly and as deeply as manufacturers hope. Companies that renovate or produce conventional planes for executive use think company jets are still several years away. These people point out that operating costs of the jets are high and their greater speed cannot always be fully utilized in today's crowded airspace. **END**

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Iron Imports Vex Mining States

- Much to the annoyance of states such as Minnesota, iron ore mineowners have been expanding abroad.
- Meantime, the industry complains about Minnesota's ore taxes and renews its drive for tax reform.
- Now Sen. Humphrey wants to know if taxes really are a reason for mining companies to turn to foreign sources.

Sen. Hubert H. Humphrey (D-Minn.) last week asked U.S. Steel Corp. to furnish him figures on the cost of iron ore it imports. Written at the suggestion of Gov. Orville L. Freeman, his request is the climax of a growing conflict between iron mining companies and the state of Minnesota over the future of the industry.

The Humphrey letter brings out into the open for the first time the political pressures being exerted from Minnesota on the iron mining industry over the ore it's digging abroad. In recent years, the industry has developed big Canadian, African, and South American reserves to rival domestic sources, and more are in prospect. Meanwhile, back home, new methods to exploit low-grade domestic deposits have been found.

• **Lines Drawn**—These changes are raising important business—and political—problems in iron-rich states such as Minnesota, anxious to maintain their iron ore income. Some state officials envision import restrictions on ore similar to those placed on oil. The mining companies, in turn, use their new alternate ore sources as a selling point in their latest effort to reduce iron ore taxes in Minnesota—where the companies pay more than 90% of local taxes in some areas. The implication is that if taxes are too steep, the companies can always lean more on imports.

The iron ore issue has a special urgency right now. The nation's largest mining concerns, including Oliver Div. of U.S. Steel, are waiting to decide whether to install extensive beneficiation plants for low-grade ore in this country. If they go ahead, the big outlays necessary will commit them to using substantial chunks of domestic ore. If they don't, they are clearly heading for increased use of imports.

The most immediate effect of the controversy is to make a radical change in the factors affecting Minnesota state and local tax policies.

• **Slipping Leader**—For more than a quarter of a century, iron ore companies have been complaining that Minnesota's "discriminatory taxes" threaten the future of the state's iron ore mining industry. The state, apparently undis-

turbed, has continued its policy of taxing ore reserves and production, and, in recent years, even raised iron ore levies. Nonetheless, despite the taxes and the companies' laments, Minnesota has maintained its lead in iron ore mining—until the past decade.

In 1946, of all U.S. iron ore purchases, including imports, Minnesota shipped 68%, but the percentage dropped to 60% in 1952 and last year fell below the halfway mark to 49%.

This year, with the steel industry operating below capacity, the Minnesota iron range country has really felt the pangs. Sen. Humphrey, in his letter to U.S. Steel, charges that even though steel is slackening, the Corporation has increased its imports from abroad, particularly from Venezuela—at the expense of Minnesota's ore.

The mining industry, Humphrey says, blames the state's tax structure, not the drop in steel production, for its cutbacks in Minnesota. He wants to know if the comparative costs of foreign and Minnesota ores are such that the taxes really make that much difference.

I. A Choice for Ore Companies

The current doldrums on the Minnesota ranges are the newest factor in a conflict that has been brewing ever since the mining industry developed major new sources of the red ore.

For years, the industry has been threatening to leave the state unless it made tax reforms. And for years Minnesota's legislators have been interpreting the threats as mere cries of "wolf." They got some justification for their view in World War II, when properties abandoned during the Depression on grounds of "too heavy taxation" were hastily reclaimed by companies suddenly not so tax-conscious.

Now, for the first time, Minnesota has real competition from new domestic and foreign deposits. At the same time, changing technology in the steel industry is changing the kinds and quality of ore it needs.

• **Rivals for Capital**—The issue now is mainly over where the mining industry will do its new capital spending—here

or abroad. In recent years, Minnesota has gotten two major plants, worth more than \$350-million, to process a very hard low-grade ore called taconite. But new foreign investments have been announced, too.

U.S. Steel recently disclosed that it was after bids to construct a railroad and other facilities as a first step toward producing ore from a huge deposit in Canada. This was much to the dis-taste of Minnesota politicians, because U.S. Steel, through its Oliver Div., controls the largest ore deposits in the state. And it has been under state pressure to build a taconite plant there like the other two companies, Eric Mining Co. and Reserve Mining Co., that have already done so. So far, the Corporation has given no hint that it will go along, although it does run a pilot plant for studying problems of taconite production. Outsiders think U.S. Steel is awaiting assurance of a more favorable tax climate there.

• **Also Waiting**—Other companies are apparently on the same fence. M. A. Hanna Co.—of which George Humphrey, former Secretary of the Treasury, is honorary chairman of the board—holds vast deposits of low-grade ore in the state. Before these can be brought into production, a process must be perfected and costly beneficiation plants must be built—and Minnesota would obviously relish the investment. But Hanna also has important interests in Iron Ore Co. of Canada, that country's largest ore producer, and it recently gained control of a Brazilian company with large reserves.

Pickands Mather & Co., another leading iron ore concern, also has Minnesota operations, including management of the big Eric taconite plant. But it, too, has Canadian interests that could be developed.

Neither of these companies is irreversibly committed to developing foreign deposits and neglecting Minnesota. But they do have the choice, and the outcome may hinge on what Minnesota does about taxes.

II. A Choice for Minnesota

When the state's legislators meet next year, they will have to decide how much of the iron ore industry's threat to leave is "crying wolf" and how much is real.

Up to now, the industry has wanted to avoid a political fight over tax reform, however strong its feelings on the subject. But the new ore developments put the industry in a strong position for the first time. And there have been indications that many of the



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legislators would concede something had to be done.

For instance, a Legislative Commission on Taxation of Iron Ore, set up especially to study the problem, recently asked the industry for its recommendations on tax reform. The companies obliged with a detailed proposal of major tax reductions.

• **Onerous Tax**—In a report to the 1957 Legislature, the commission suggested some changes might be necessary. In part, the report said: "The history of taxation in Minnesota shows very clearly that iron ore has been taxed on a more onerous basis than any other class of property. The reasons for the higher rate of tax can be traced to the premise that iron ore is a natural resource and a diminishing asset and should therefore stand a heavier burden of taxation."

"When Minnesota had a monopoly on low-cost open-pit iron ore, this premise may have been justified, but conditions have changed. High-grade ore is rapidly diminishing . . . high-cost concentrates made from low-grade ore are increasing . . . plants to manufacture iron ore from taconite are under construction to supplement the dwindling supply of natural ore . . . Competition from the large deposits of high-grade ore in Canada and Venezuela is now a reality."

• **Concession for Taconite**—The state did recognize changes in the ore business when it set tax rates on hard taconite lower than on other iron ores by basing them on production alone and not on reserves. This tax concession encouraged Erie and Reserve to build their expensive plants.

But it's up to the legislature whether the special taconite rate will continue. If the state should need more tax income, any legislature can revoke or change it. U. S. Steel may be holding back on a commercial taconite plant for fear a heavy burden will be slapped on taconite as soon as the plant is built.

Under Minnesota's constitution, one legislature can't limit the right of a future legislature to change taxes—and a constitutional amendment to make such limiting possible is unlikely.

• **Two Courses**—So if Big Steel wants assurance of tax shelter, it will have to look elsewhere. There are two possibilities:

- An effort by the state to improve tax rates on ores other than taconite. The Corporation might take this as evidence of good intentions on tax reform.

- More important, economizing by the municipalities in the Iron Range, to show they are willing to get along on less tax income. Much of the pressure to keep taxes high has come from these towns, which have become accustomed to fat receipts from taxing properties of mining companies to finance lavish municipal services. **END**

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Needed: New Controls Over Inflation

With the bottom of the recession a scant two months behind it, the U.S. suddenly finds itself facing the threat of renewed inflation. The threat is all the more serious because it comes at a time when the country has both idle capacity and idle manpower. Unlike the classic inflation that results from too much money chasing too few goods, this modern inflation cannot be expected to cure itself by calling forth new production. And we cannot expect to cure it simply by applying the classic method of clamping down on the money supply.

Last week's price increases in steel and aluminum dramatized the threat for everyone to see. But for some time before that the Wall Street markets clearly had been acting on the assumption that inflation is unavoidable:

In the stock market we have the spectacle of the big institutions—the trustees of other people's money—scrambling for the limited supply of equity investments, even though they concede that stocks are selling at unrealistic levels in relation to current earnings. Their defense of this seemingly irrational behavior is simply that the prospect of inflation makes the purchase of common stocks mandatory regardless of the price.

The bond market, especially the government bond market, is demoralized. Despite the soothing words of the Federal Reserve—despite even some substantial open market operations—prices keep tumbling. Investors tell one another that if the dollar is to lose value at the rate of, say, 3½% a year, then even a 7% yield on a high-grade bond will not keep a man whole after taxes.

What we are seeing is a sort of resignation to the continued erosion of the dollar. At the moment, it is confined to the securities markets, but even there it is producing enough instability and uncertainty to be a real threat to the smooth development of business recovery.

In the face of all this, the Administration seems perfectly prepared to turn the whole problem over to the Federal Reserve Board. The Reserve Board, in spite of the experience of the past three years, seems determined to rely once again on the traditional indirect methods of restricting bank reserves and raising the discount rate.

Indirect monetary controls have proved a lamentable failure in the years since 1955. They not only failed to stop inflation. They contributed a great deal to the business recession that started in the middle of 1957.

The government is now heading into an economic trap that promises to make the simple monetary approach even less effectual than it was in 1956 and 1957. In the coming year, the federal deficit will

run somewhere between \$10-billion and \$12-billion. The Treasury will have to borrow this money, and to borrow in the least inflationary way it should issue long-term securities. But if the Federal Reserve is pursuing a tight money policy, the already cowering bond market will be in a state of complete funk. The Treasury will face a hopeless task trying to push long-term securities down its throat. And so, the government will have to resort to the modern version of the printing press—selling short-term obligations to the commercial banks and thereby increasing the money supply. It won't even be able to refund maturing obligations with medium-term securities, but will have to monetize the maturing issues by replacing them with short-terms.

The Question

In the light of this situation, surely the time has come for Pres. Eisenhower to call together in council his Secretary of the Treasury, the Chairman of the Federal Reserve, and all his trusted economic advisers. He should ask them this question: "Can we not do better than we have done lately?"

It seems to us there can be only one answer:

"We can certainly do better. We could, in fact, scarcely do worse."

To guard against possible misunderstanding, let us say that we do not think price ceilings or wage ceilings should be a part of the solution. Such measures, accompanied as they must be by rationing, allocation, and profit curtailment, have no place in a long-term program for any free country.

What might emerge would be a more flexible and more direct system of credit controls—including regulation of consumer credit. Along with this might come a real coordination of debt management, fiscal policy, and monetary policy—and a thoughtful exploration of the most effective ways to use the great power over the U.S. economy that the government wields by reason of a \$275-billion debt, a \$78-billion budget, and the whole apparatus of government trust funds and credit agencies.

We have no disposition, however, to anticipate the kind of solutions that might emerge. The essential point is that to deal with the new inflation threat, this country must have something broader and more effective than a system of indirect monetary devices. In recognizing this fact, the U.S. is behind the rest of the world, not ahead of it. In no capital of the world save Washington does there still linger the delusion that the problems of inflation conjured up by the demands of the cold war can be dealt with by the Nice-Nelly method of fiddling with commercial bank reserves.



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